

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,¹ and then making the scanned versions text-searchable.² 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.

¹ 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).

² 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

July 2, 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	
Employment and unemployment.	1
Wages.	2
Consumer confidence.	2
Business fixed investment.	3
Erratum.	3
 <u>Table</u>	
Changes in employment.	4
Selected unemployment and labor force participation rates.	4
Labor productivity and costs	6
Average hourly earnings.	6
Business capital spending indicators.	9
 <u>Chart</u>	
Other labor market indicators.	5
Factors influencing wage inflation	7
Indicators of consumer sentiment	8
Nonresidential construction and selected indicators.	10
 THE FINANCIAL ECONOMY	
 <u>Tables</u>	
Monetary aggregates	11
Commercial bank credit and short- and intermediate-term business credit.	12
Selected financial market quotations	13
 THE INTERNATIONAL ECONOMY	
Bundesbank interest rate cuts.	14
The U.S. net international investment position, 1992	14

SUPPLEMENTAL NOTES

THE DOMESTIC NONFINANCIAL ECONOMY

Employment and Unemployment

The recovery in the labor market appears to have paused in June. Nonfarm payroll employment was up just 13,000, the average workweek for production workers retraced its jump in May, and the civilian unemployment rate ticked back up to 7 percent. More complete estimates raised payroll employment in April, principally because of slightly larger increases in most services industries than previously shown; for May, the rebound in construction jobs now appears to have been less rapid, but retail employment increased a bit faster. Taken together, the data on payroll hours of production or nonsupervisory workers, for the quarter as a whole, rose at a 4.1 percent annual rate.

The modest rise in nonfarm jobs in June followed two months of fairly rapid increases. Two industries--construction and services--accounted for the bulk of the deceleration in employment. In construction, a rebound in hiring from a depressed March level contributed to the pickup in payroll employment growth in April and May, but employment then edged down in June. Among the services industries, the June gains in the large health and business services sectors were relatively small, employment in personal services was little changed after a large gain in May, and jobs in amusement and recreation continued to retrace part of sizable jump in April. In retail trade, monthly gains in employment last month continued to average close to 40,000, but jobs at wholesalers fell noticeably. In contrast to the pattern elsewhere, manufacturing employment has been on a steady slide over the recent three-month period, with monthly declines averaging 56,000; factory employment had moved up slightly during the first quarter.

In addition to the deceleration in employment, the average workweek of production and nonsupervisory workers retraced its jump in May. The declines in June, like the increases a month earlier, were widespread across service-producing industries. The factory workweek edged down to 41.3 hours last month, slightly below the average earlier in the year. At 34.4 hours, the overall workweek in June was the same as the average for the first four months of the year.

The household survey measure of total civilian employment dropped back slightly in June, after a steep increase in May. At the same time, unemployed edged up. Increases in joblessness were concentrated among adult workers (aged 25 years and older); by reason for unemployment, a rise in the number of permanent job losers more than accounted for the increase. The unemployment rates for younger workers, which often are quite volatile during the summer months, were little changed in June.

Wages

Average hourly earnings of production or nonsupervisory workers declined slightly in June and were up at just a 0.7 percent annual rate over the second quarter. By industry, a deceleration in the rate of wage change was widespread between the first and second quarters, with the noticeable exception of finance, insurance, and real estate. The average rate of increase in this measure of wage change during the first half of 1993 now matches the 2-1/4 percent pace that prevailed in 1992.

Consumer Confidence

The University of Michigan's composite index of consumer confidence rose 1.2 points in June, owing to a modest improvement in consumers' assessments of expected conditions and no change in their appraisals of current conditions. The June improvement in the

composite index is small relative to the deterioration seen in the first five months of 1993; the index still stands well below its recent peak in December. Among the questions not included in the composite index, consumers' average appraisal of car-buying conditions remained flat at a relatively high level after posting gains in the previous three months, and respondents' expectations of the change in unemployment worsened slightly. Expected inflation over the next twelve months rose another 0.4 percentage point to 4.8 percent, but average expected inflation over the next five years declined by half a percentage point to 5.2 percent.

Business Fixed Investment

Updates of the table on page II-22 and the chart on page II-24 of the Greenbook are attached. They show revised data through May on private nonresidential construction put in place.

Erratum

The sentence on p. I-11 of the Greenbook, which describes the staff projection of productivity should read: "On balance, we expect productivity. . .to rise at a 1-3/4 percent annual rate, on average, over the period from 1993:Q3 to 1994:Q4. . . ."

CHANGES IN EMPLOYMENT¹
(Thousands of employees; based on seasonally adjusted data)

	1991	1992	1992			1993		
			Q4	Q1	Q2	Apr.	May	June
-----Average monthly changes-----								
Nonfarm payroll employment ²	-72	80	135	162	161	255	215	13
Private	-88	59	123	155	148	243	192	8
Manufacturing	-44	-26	-12	7	-56	-72	-43	-53
Durable	-39	-22	-9	3	-46	-54	-49	-35
Nondurable	-5	-5	-3	5	-10	-18	6	-18
Construction	-33	-5	4	7	28	36	55	-6
Trade	-30	20	35	62	43	51	51	26
Finance, insurance, real estate	-9	-2	3	0	4	11	5	-3
Services	39	78	92	77	132	221	119	56
Health services	30	29	36	29	26	35	26	17
Business services	4	31	47	31	41	67	32	23
Total government	17	22	12	7	13	12	23	5
Private nonfarm production workers	-71	74	132	149	132	187	248	-38
Manufacturing production workers	-29	-13	1	16	-39	-53	-29	-36
Total employment ³	-62	130	196	85	218	-149	857	-54
Nonagricultural	-53	122	182	145	237	-127	847	-8
Memo:								
Aggregate hours of private production workers (percent change)	-.1	.1	.2	.1	.3	.7	1.2	-1.0
Average workweek (hours)	34.3	34.4	34.4	34.4	34.5	34.4	34.7	34.4
Manufacturing (hours)	40.6	41.1	41.2	41.3	41.4	41.5	41.4	41.3

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

2. Survey of establishments.

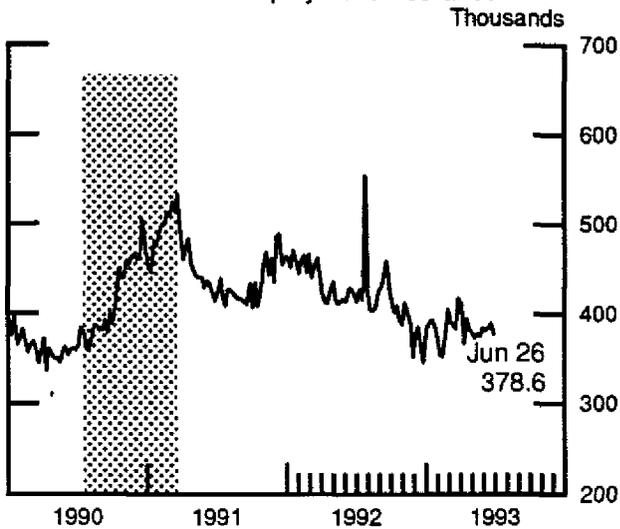
3. Survey of households.

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

	1991	1992	1992			1993		
			Q4	Q1	Q2	Apr.	May	June
Civilian unemployment rate (16 years and older)	6.7	7.4	7.3	7.0	7.0	7.0	6.9	7.0
Teenagers	18.7	20.0	19.4	19.6	20.1	20.7	19.7	19.8
20-24 years old	10.8	11.3	11.1	11.0	10.8	10.6	11.4	10.4
Men, 25 years and older	5.7	6.4	6.3	5.9	5.8	5.8	5.7	5.9
Women, 25 years and older	5.1	5.7	5.8	5.4	5.4	5.4	5.3	5.6
Fulltime workers	6.5	7.1	7.0	6.6	6.6	6.6	6.6	6.6
Labor force participation rate	66.0	66.3	66.2	66.0	66.2	65.9	66.3	66.2
Teenagers	51.7	51.3	51.2	51.5	51.9	51.7	52.7	51.4
20-24 years old	76.8	77.1	77.0	77.3	77.4	76.9	78.0	77.4
Men, 25 years and older	76.7	76.7	76.4	76.1	76.2	76.1	76.3	76.4
Women, 25 years and older	56.5	57.0	57.1	56.8	56.8	56.6	56.9	57.1

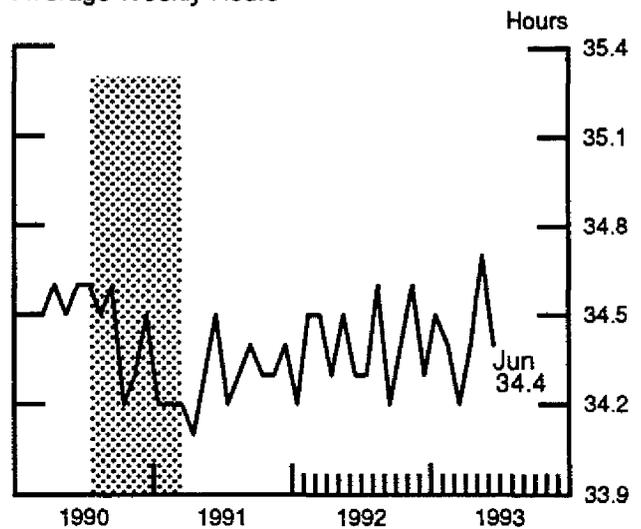
OTHER LABOR MARKET INDICATORS

Initial Claims for Unemployment Insurance*



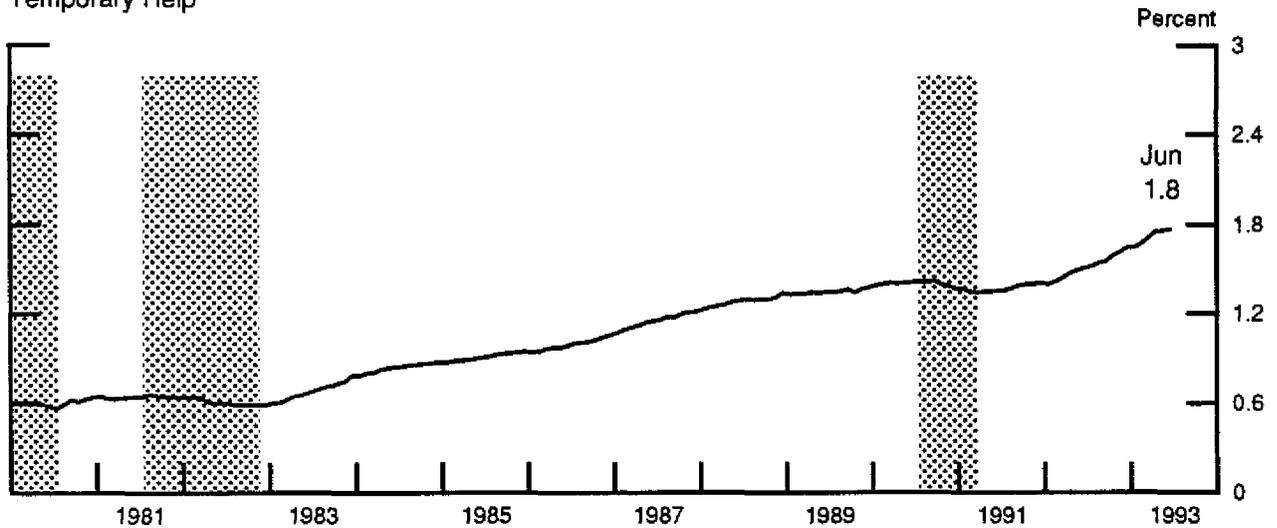
* Including EUC adjustment.

Average Weekly Hours*



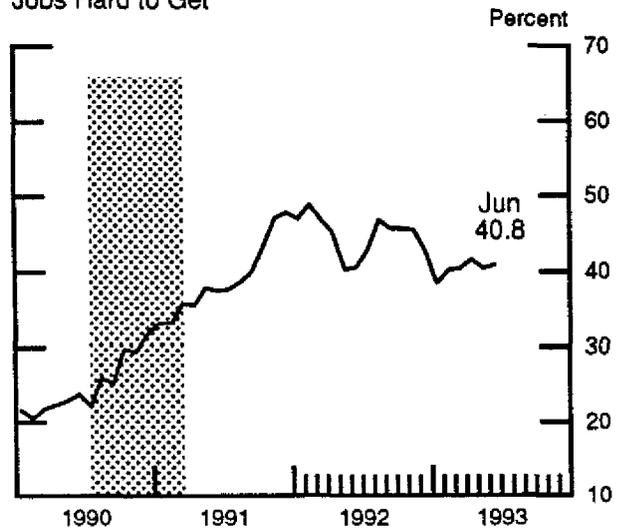
* Production or non-supervisory workers.

Temporary Help*



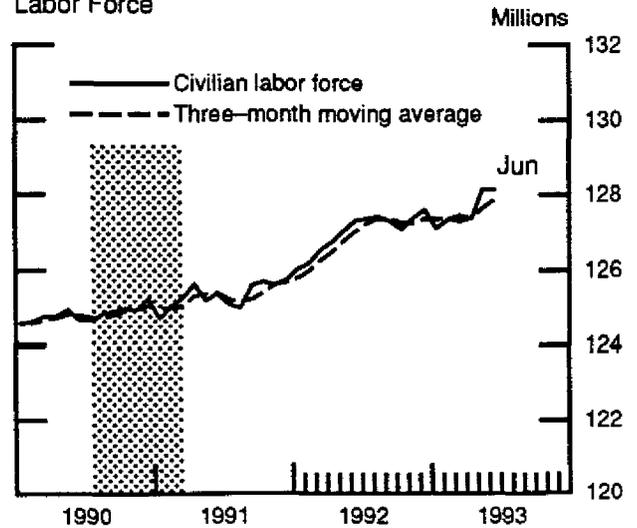
* Employment in personnel services as a share of total private employment.

Jobs Hard to Get*



* From the Conference Board's Survey of Consumer Sentiment.

Labor Force



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

	1991 ¹	1992 ¹	1992			1993	1992-Q1 to 1993-Q1
			Q2	Q3	Q4	Q1	
<u>Output per hour</u>							
Total business	1.4	2.9	.7	3.2	3.4	-1.5	1.4
Nonfarm business	1.3	2.8	1.4	2.7	3.2	-1.6	1.4
Manufacturing	2.6	5.2	5.3	3.8	7.0	4.8	5.2
Nonfinancial corporations ²	2.3	3.6	2.0	4.4	5.0	-2.4	2.2
<u>Compensation per hour</u>							
Total business	4.1	3.5	1.5	3.9	3.8	3.7	3.2
Nonfarm business	4.1	3.4	2.0	3.5	3.9	3.3	3.1
Manufacturing	4.7	3.0	3.6	3.4	6.3	.7	3.5
Nonfinancial corporations ²	3.9	2.5	1.6	3.0	3.1	2.9	2.6
<u>Unit labor costs</u>							
Total business	2.7	.5	.8	.7	.5	5.3	1.8
Nonfarm business	2.8	.6	.6	.7	.6	5.0	1.7
Manufacturing	2.1	-2.0	-1.7	-.4	-.6	-3.9	-1.6
Nonfinancial corporations ²	1.5	-1.0	-.4	-1.4	-1.8	5.4	.4

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.

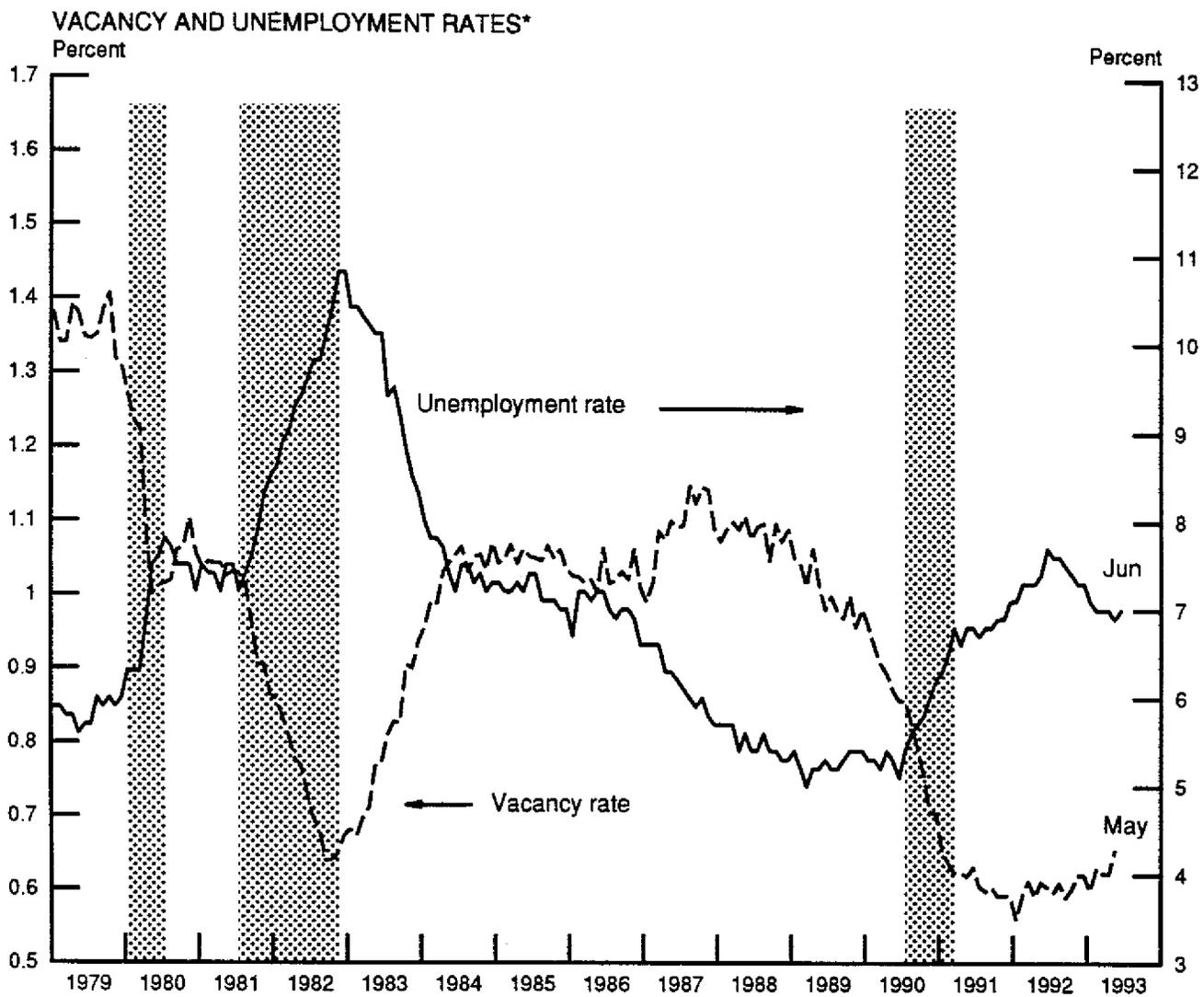
3. N.A. Not available.

AVERAGE HOURLY EARNINGS
(Percentage change; based on seasonally adjusted data)¹

	1991	1992	1992		1993			
			Q4	Q1	Q2	Apr.	May	June
			-Annual rate-			-Monthly rate-		
Total private nonfarm	2.9	2.2	2.3	3.8	.7	-.1	.4	-.1
Manufacturing	3.0	2.3	2.5	2.8	2.1	.4	.0	.1
Durable	3.2	2.2	3.4	2.3	1.6	.5	.0	-.1
Nondurable	2.9	2.5	.0	1.9	3.3	.5	.0	.4
Contract construction	1.5	1.1	2.9	2.0	-4.4	.0	-1.1	-.1
Transportation and public utilities	1.5	1.7	.6	2.7	-.3	-.2	.1	.0
Finance, insurance and real estate	4.3	3.5	5.3	4.4	4.8	.4	1.6	-.8
Total trade	3.0	2.1	1.4	4.9	.9	-.1	.5	-.1
Services	3.9	2.6	2.3	3.4	.7	-.3	.7	-.2

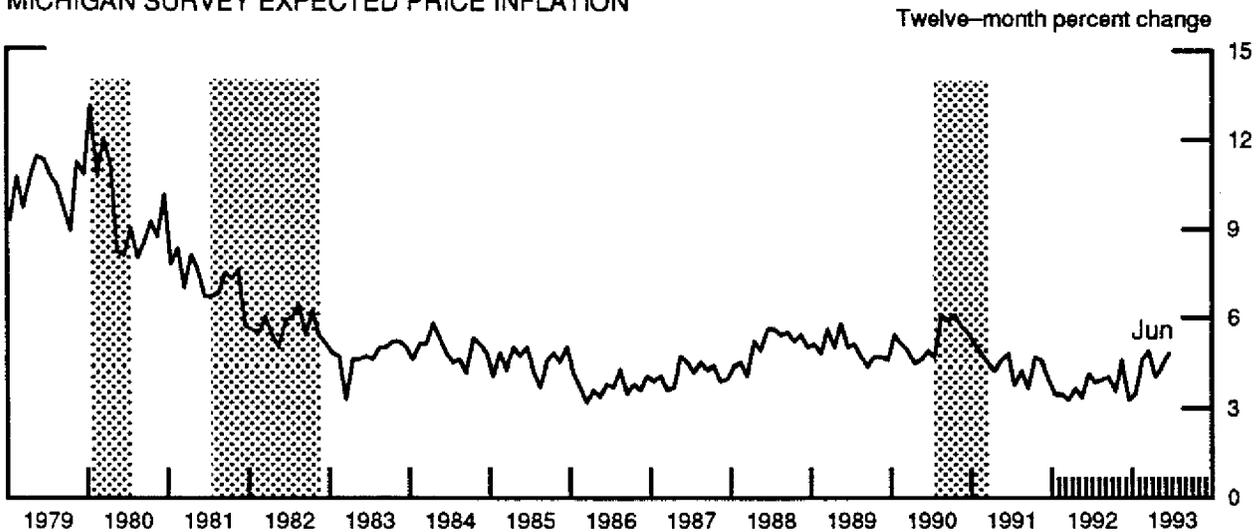
1. Annual changes are measured from final quarter of preceding year to final quarter of year indicated.

FACTORS INFLUENCING WAGE INFLATION



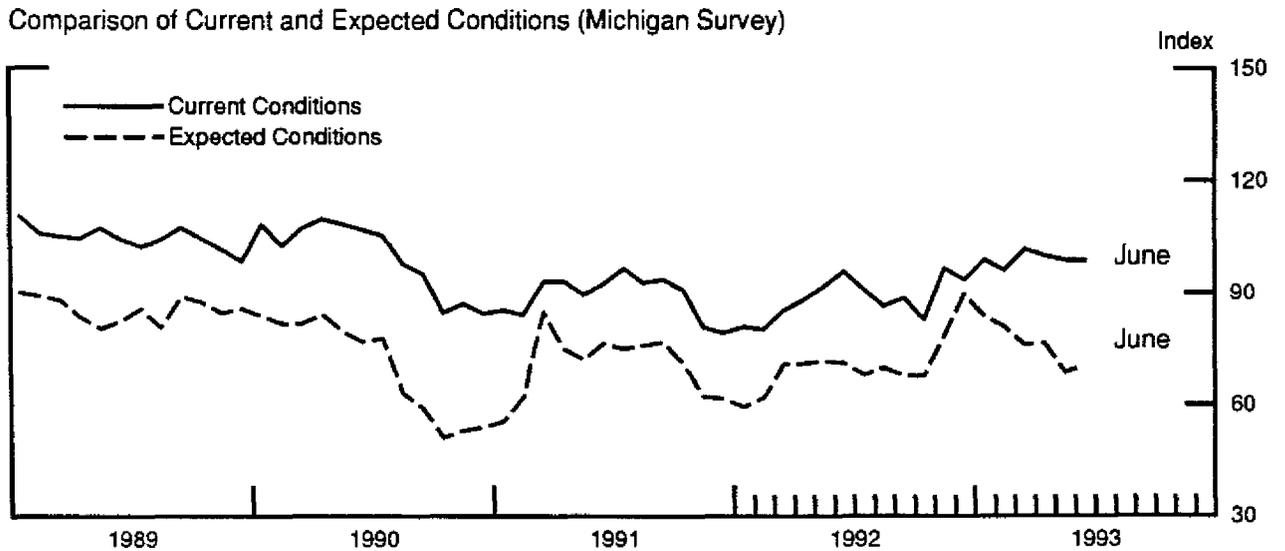
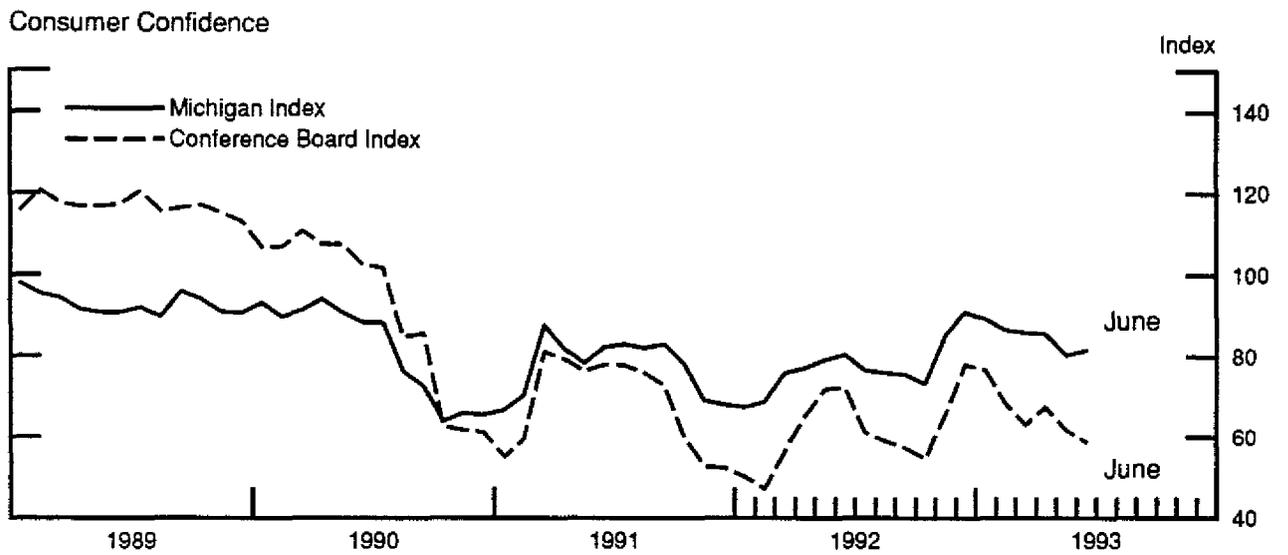
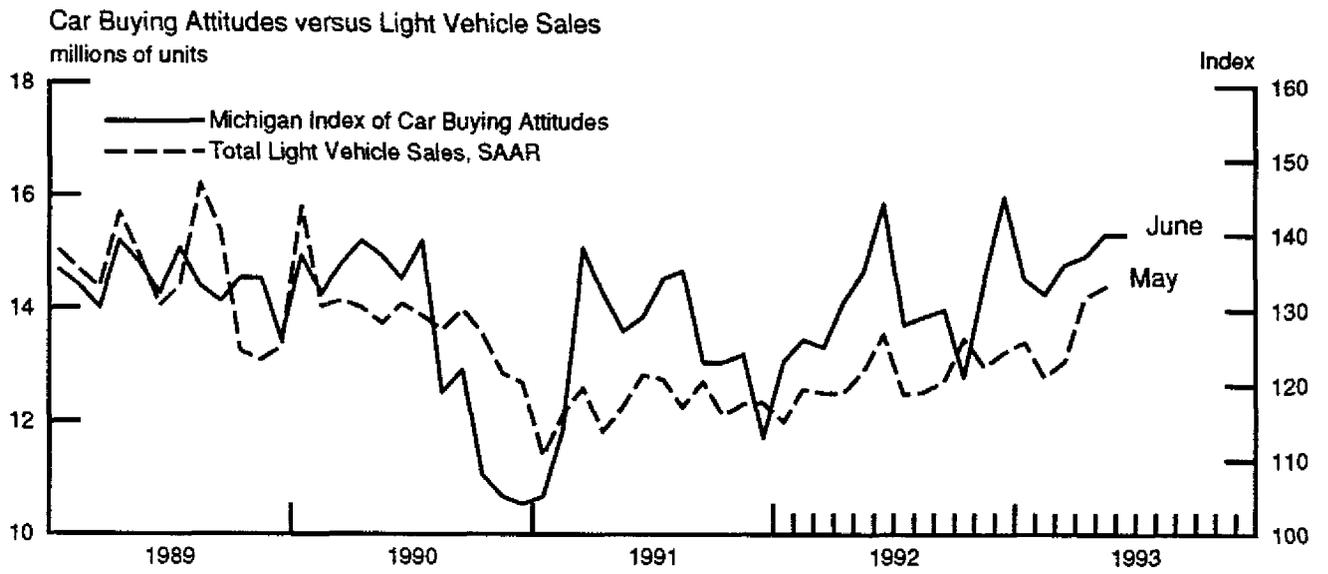
* The vacancy rate is the Conference Board's help wanted index divided by total payroll employment.

MICHIGAN SURVEY EXPECTED PRICE INFLATION*



* Mean expected inflation over the next twelve months.

Indicators of Consumer Sentiment



BUSINESS CAPITAL SPENDING INDICATORS
(Percent change from preceding comparable period;
based on seasonally adjusted data, in current dollars)

	1992		1993	1993		
	Q3	Q4	Q1	Mar.	Apr.	May
<u>Producers' durable equipment</u>						
Shipments of nondefense capital goods	.7	3.4	1.1	4.6	-3.8	1.2
Excluding aircraft and parts	3.0	2.6	3.3	4.4	-3.8	1.3
Office and computing	1.0	.6	10.1	6.3	-7.1	1.0
All other categories	3.5	3.1	1.5	3.9	-2.8	1.4
Shipments of complete aircraft ¹	-25.8	4.6	21.3	38.0	-15.3	n.a.
Sales of heavy weight trucks	2.0	6.8	3.1	7.0	4.1	-.2
Orders of nondefense capital goods	-4.0	6.8	.7	-10.9	3.7	-1.1
Excluding aircraft and parts	2.1	4.2	4.4	1.0	.4	-2.4
Office and computing	2.5	2.6	9.0	-4.8	-2.5	6.5
All other categories	1.9	4.6	3.1	2.8	1.2	-4.8
<u>Nonresidential structures</u>						
Construction put-in-place	-2.2	1.4	.2	1.8	-.5	2.5
Office	-12.5	-.3	-2.2	-5.7	3.4	1.2
Other commercial	1.0	2.8	4.9	-.3	1.1	-.8
Industrial	-5.5	-1.2	6.2	8.1	-11.9	2.9
Public utilities	.3	4.6	-4.3	3.3	.7	4.1
All other	.7	-1.2	-.4	1.6	3.1	3.5
Rotary drilling rigs in use	2.6	14.5	-8.2	-8.8	1.9	2.6
Footage drilled ²	-2.4	9.7	3.3	-26.9	-5.0	22.4
Memo:						
Business fixed investment ³	3.1	9.7	13.1	n.a.	n.a.	n.a.
Producers' durable equipment ³	9.5	14.5	18.3	n.a.	n.a.	n.a.
Nonresidential structures ³	-11.3	-1.9	.0	n.a.	n.a.	n.a.

1. From the Current Industrial Report "Civil Aircraft and Aircraft Engines." Monthly data are seasonally adjusted using FRB seasonal factors constrained to BEA quarterly seasonal factors. Quarterly data are seasonally adjusted using BEA seasonal factors.

2. From Department of Energy.

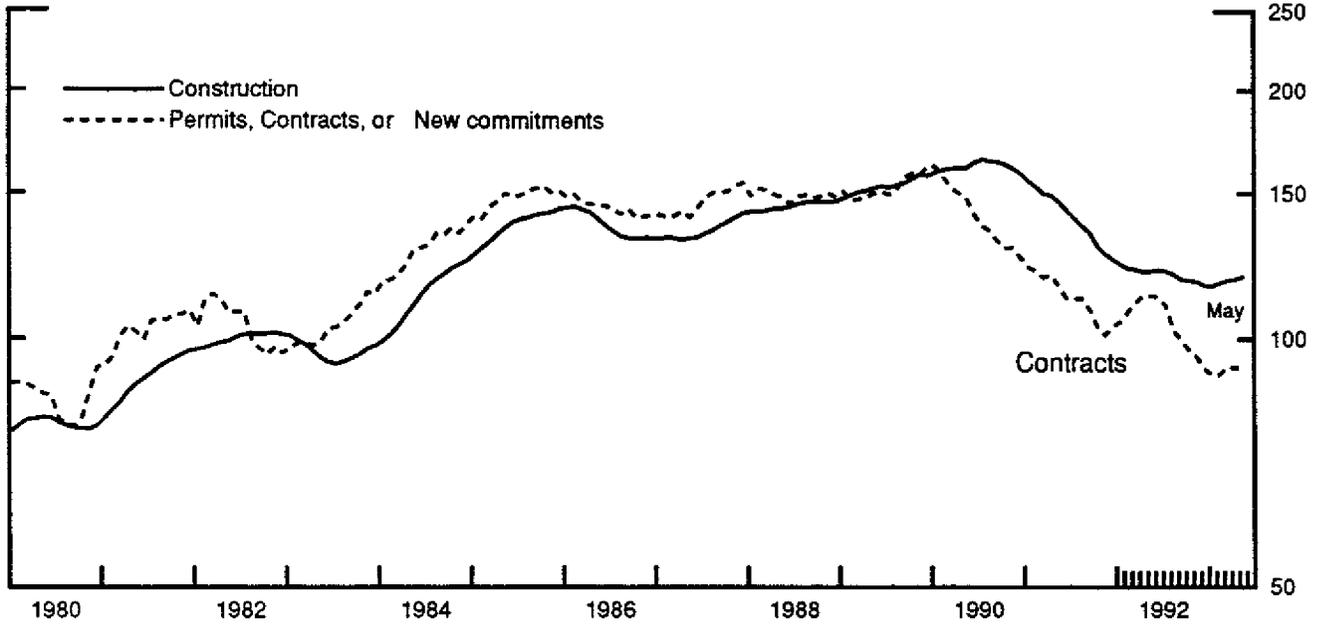
3. Based on constant-dollar data; percent change, annual rate.

n.a. Not available.

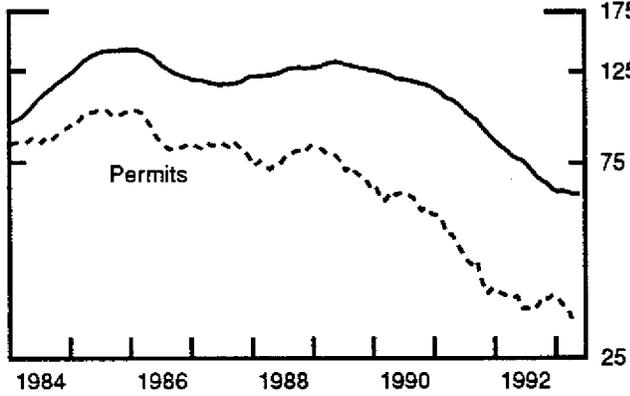
NONRESIDENTIAL CONSTRUCTION AND SELECTED INDICATORS*

(Index, Dec. 1982 = 100, ratio scale)

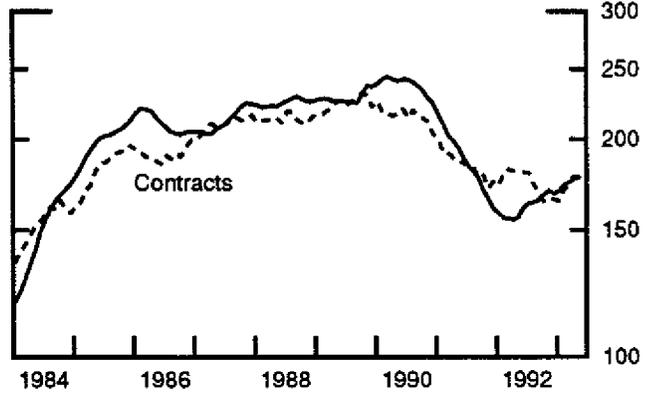
Total Building



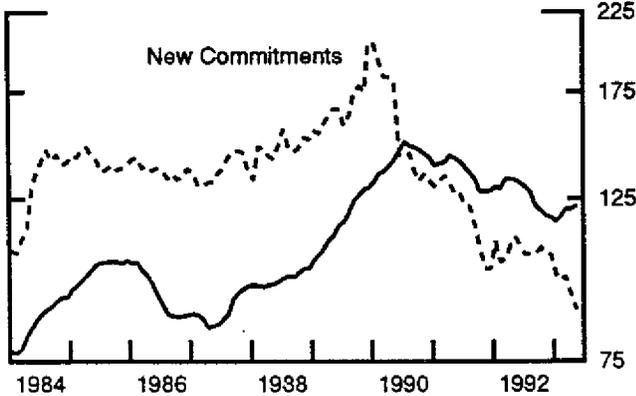
Office



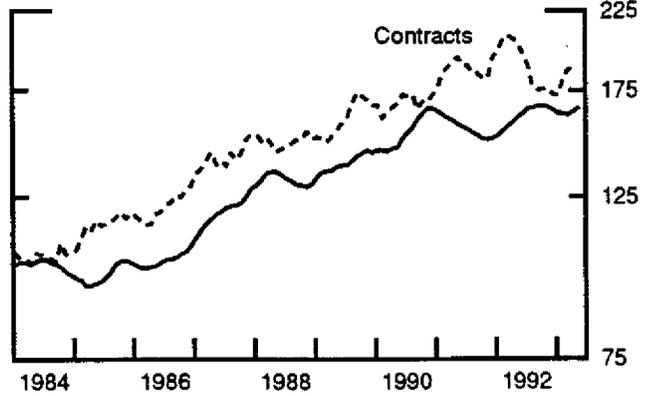
Other Commercial



Industrial



Institutional



*Six-month moving average for all series shown. For contracts, individual sectors include private & public buildings. All other include private only. New commitments are the sum of permits and contracts.

MONETARY AGGREGATES
(Based on seasonally adjusted data except as noted)

Aggregate or component	1992 ¹	1993 Q1 ²	1993 Q2 ² (pe)	1993 Apr.	1993 May	1993 Jun. (pe)	1992:Q4 to Jun. 93 (pe)	Level (bil. \$) May 93
	Percentage change (annual rate) ³							
Aggregate								
1. M1	14.3	6.6	10%	9.0	27.6	8	9%	1067.2
2. M2	1.8	-2.0	2%	0.7	10.8	3	1	3506.1
3. M3	0.3	-3.8	2%	2.4	9.3	0	-%	4170.8
Selected components								
4. M1-A	13.7	6.2	13	14.4	26.7	7	10%	671.4
5. Currency	9.1	9.5	9%	9.6	10.4	11	10	304.0
6. Demand deposits	18.0	3.7	16	18.6	41.1	4	11	359.2
7. Other checkable deposits	15.4	7.3	6%	0.0	29.2	8	8%	395.8
8. M2 minus M1 ³	-2.6	-5.5	-1%	-2.9	3.7	1	-2%	2438.9
9. Overnight RPs and Eurodollars, n.s.a.	1.8	-10.2	-12%	-34.4	-47.3	69	-5%	68.3
10. General-purpose and broker- dealer money market funds	-5.2	-10.1	-%	-5.0	17.4	0	-3%	336.5
11. Commercial banks	-0.1	-2.2	%	-1.7	4.3	1	-%	1259.4
12. Savings deposits	14.5	1.6	4%	3.2	14.0	8	4	764.7
13. Small time deposits	-15.8	-7.6	-6%	-9.1	-10.3	-9	-7%	494.7
14. Thrift institutions	-5.5	-9.0	-4%	-3.0	2.8	-4	-6	772.1
15. Savings deposits	14.8	-0.2	1	2.3	9.6	3	1	429.0
16. Small time deposits	-21.5	-19.1	-11	-9.0	-5.6	-13	-14	343.1
17. M3 minus M2 ³	-6.6	-13.2	2%	11.7	1.1	-15	-6	664.7
18. Large time deposits	-16.3	-17.8	-3%	9.9	1.0	-10	-10	343.6
19. At commercial banks ⁴	-15.4	-18.0	-2%	10.0	4.7	-10	-9%	279.3
20. At thrift institutions	-19.6	-17.5	-8	11.2	-12.9	-15	-12%	64.4
21. Institution-only money market mutual funds	18.2	-14.1	%	-3.0	14.4	-28	-7%	202.8
22. Term RPs, n.s.a.	7.9	9.9	28%	36.4	-5.4	14	18	88.0
23. Term Eurodollars, n.s.a.	-22.6	-2.6	28%	-7.2	26.6	-28	9%	50.8
Average monthly change (billions of dollars)								
Memo								
24. Managed liabilities at com'l. banks (lines 25 + 26)	-2.1	-1.0	2%	7.9	-3.0	3	...	680.3
25. Large time deposits, gross	-4.6	-3.6	-1	-0.7	1.2	-3	...	356.2
26. Nondeposit funds	2.5	2.6	3%	8.6	-4.2	7	...	324.1
27. Net due to related foreign institutions	2.8	2.4	1	9.2	-5.2	-1	...	83.1
28. Other ⁵	-0.2	0.1	2%	-0.6	0.9	8	...	240.9
29. U.S. government deposits at commercial banks ⁶	-0.5	-0.5	2%	5.4	-5.1	6	...	19.1

1. "Percentage change" is percentage change in quarterly average from fourth quarter of preceding year to fourth quarter of specified year. "Average monthly change" is dollar change from December to December, divided by 12.

2. "Percentage change" is percentage change in quarterly average from preceding quarter to specified quarter. "Average monthly change" is dollar change from the last month of the preceding quarter to the last month of the specified quarter, divided by 3.

3. Seasonally adjusted as a whole.

4. Net of holdings of money market mutual funds, depository institutions, U.S. government, and foreign banks and official institutions.

5. 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.

6. Treasury demand deposits and note balances at commercial banks.

COMMERCIAL BANK CREDIT AND SHORT- AND INTERMEDIATE-TERM BUSINESS CREDIT¹
(Percentage change at annual rate, based on seasonally adjusted data)

Type of credit	Dec. 1991 to Dec. 1992	1992 Q4	1993 Q1	1993 Mar.	1993 Apr.	1993 May.	Level, May. 1993 (\$billions)
Commercial bank credit							
1. Total loans and securities at banks	3.6	2.7	1.6	5.1	4.9	8.9	2,984.7
2. Securities	13.0	7.1	11.6	21.6	15.7	5.4	873.4
3. U.S. government	17.5	10.6	14.1	23.8	16.5	4.3	694.8
4. Other	-1.2	-5.6	1.8	13.1	12.3	9.5	178.6
5. Loans	0.2	1.0	-2.4	-1.7	0.5	10.4	2,111.3
6. Business	-3.2	-2.0	-1.8	-5.4	-6.1	7.1	592.5
7. Real estate	2.1	2.4	-2.6	0.1	-0.1	8.0	893.4
8. Consumer	-1.8	-1.3	6.1	1.7	11.0	8.2	366.9
9. Security	18.2	3.7	-14.8	15.6	-34.6	120.6	66.8
10. Other	1.2	7.3	-15.1	-10.1	16.5	0.0	191.7
Short- and intermediate-term business credit							
11. Business loans net of bankers acceptances	-3.3	-3.0	-2.7	-5.9	-6.4	6.2	583.4
12. Loans at foreign branches ²	2.0	11.4	-30.0	-34.9	5.1	-10.2	23.3
13. Sum of lines 11 and 12	-3.1	-2.5	-3.8	-7.1	-5.9	5.6	606.7
14. Commercial paper issued by nonfinancial firms	9.5	16.6	-9.3	-16.1	31.0	17.5	153.3
15. Sum of lines 13 and 14	-0.8	1.2	-4.9	-8.8	1.3	7.8	759.9
16. Bankers acceptances, U.S. trade-related ^{3,4}	-16.9	-6.8	-10.4	10.8	-10.7	-16.1	22.0
17. Finance company loans to business ⁴	1.8	1.2	-2.5	6.7	5.1	n.a.	306.7 ⁵
18. Total (sum of lines 15, 16, and 17)	-0.5	1.0	-4.4	-4.2	2.2	n.a.	1,084.0 ⁵

1. Except as noted, levels are averages of Wednesday data and percentage changes are based on averages of Wednesday data; data are adjusted for breaks caused by reclassification; changes are measured from preceding period to period indicated.

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

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

4. Changes are based on averages of month-end data.

5. April 1993.

n.a. Not available.

SELECTED FINANCIAL MARKET QUOTATIONS¹
(Percent except as noted)

Instrument	1992		1993		Change to Jul 1, 1993			
	Sept. 4		FOMC. May 18	Jul 1	From Sept. 4	From FOMC. May 18		
SHORT-TERM RATES								
Federal funds ²	3.19		2.94	3.15	-0.04	0.21		
Treasury bills ³								
3-month	2.92		3.01	2.99	0.07	-0.02		
6-month	2.96		3.11	3.09	0.13	-0.02		
1-year	3.06		3.26	3.28	0.22	0.02		
Commercial paper								
1-month	3.22		3.12	3.21	-0.01	0.09		
3-month	3.22		3.15	3.24	0.02	0.09		
Large negotiable CDs ³								
1-month	3.06		3.09	3.12	0.06	0.03		
3-month	3.06		3.13	3.17	0.11	0.04		
6-month	3.11		3.24	3.34	0.23	0.10		
Eurodollar deposits ⁴								
1-month	3.31		3.00	3.06	-0.25	0.06		
3-month	3.31		3.13	3.19	-0.12	0.06		
Bank prime rate	6.00		6.00	6.00	0.00	0.00		
INTERMEDIATE- AND LONG-TERM RATES								
U.S. Treasury (constant maturity)								
3-year	4.38		4.49	4.37	-0.01	-0.12		
10-year	6.40		6.15	5.80	-0.60	-0.35		
30-year	7.29		7.02	6.69	-0.60	-0.33		
Municipal revenue ⁵ (Bond Buyer)	6.31		5.90	5.75	-0.56	-0.15		
Corporate--A utility, recently offered ⁶	8.06		7.84	7.48	-0.58	-0.36		
Home mortgages								
FHLMC 30-yr. fixed rate	7.84		7.42	7.34	-0.50	-0.08		
FHLMC 1-yr. adjustable rate	5.15		4.63	4.59	-0.56	-0.04		
Stock exchange index	Record high		1989	1993		Percentage change to Jul 1		
	Level	Date	Low. Jan. 3	FOMC. May 18	Jul 1	From record high	From 1989 low	From FOMC. May 18
Dow-Jones Industrial	3554.86	5/27/93	2144.64	3444.39	3510.54	-1.25	63.69	1.92
NYSE Composite	251.36	3/10/93	154.00	243.53	248.64	-1.08	61.45	2.10
AMEX Composite	440.95	6/4/93	305.24	428.22	435.87	-1.15	42.80	1.79
NASDAQ (OTC)	708.85	2/4/93	378.56	680.78	703.59	-0.74	85.86	3.35
Wilshire	4475.25	3/10/93	2718.59	4335.06	4445.95	-0.65	63.54	2.56

1. One-day quotes except as noted.
 2. Average for two-week reserve maintenance period closest to date shown. Last observation is average to date for maintenance period ending July 7, 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

Bundesbank Interest Rate Cuts

On Thursday, July 1, the Bundesbank announced a reduction in its discount rate of 1/2 percentage point to 6-3/4 percent and a reduction in its Lombard rate of 1/4 percentage point to 8-1/4 percent. The Bundesbank also announced that it would conduct next week's repurchase operations at a fixed rate of 7.30 percent, down about 30 basis points from the rates at which recent variable-rate RPs had been done. The central banks of Switzerland, Sweden, Denmark, Ireland, Austria, Belgium, and the Netherlands preceded and followed the Bundesbank's action with similar rate cuts of their own yesterday. Today, France and Spain also cut rates. These cuts did not come as a complete surprise; most market participants expected that the Bundesbank Council would reduce interest rates at one of its two remaining meetings before the summer recess. Between Wednesday and today, the three-month interbank interest rate in Germany declined about 20 basis points to 7.20 percent. Short-term interest rates elsewhere in Europe also declined. Bond yields in Germany and other European countries edged up between 5 and 10 basis points.

The U.S. Net International Investment Position, 1992

The net international investment position of the United States at the end of 1992 was negative \$521 billion when direct investment was valued at the current cost of replacing plant and equipment and other tangible assets, according to data released on June 30 by the Department of Commerce; it was negative \$611 billion when direct investment was valued at the current stock market value of owners' equity. The position deteriorated in 1992 by \$156 billion (on the current cost basis) or \$215 billion (on the stock market value basis). The larger negative position reflected both recorded net

capital inflows in 1992 and estimated changes in asset values largely resulting from price increases in the U.S. stock market, price decreases in several leading foreign stock markets, and depreciation of several major foreign currencies against the dollar.