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CLASS III FOMC

March 18, 1994

SUPPLEMENT
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

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THE DOMESTIC NONFINANCIAL ECONOMY

Consumer Sentiment

The Michigan index of consumer sentiment fell slightly in early March, owing to a moderate deterioration in households' assessments of current conditions that was partly offset by a small improvement in their expectations of future conditions. Although the March decline follows a similar drop in February, the overall index still stands a substantial 15 points above its recent low in July 1993.

Results for questions not included in the overall index were little changed in the first part of March. The index of car buying conditions remained in a very favorable range similar to that observed in the mid-1980s, while the index of homebuying conditions edged down from the all-time high reached in February. Consumers' expectations of future employment conditions were unchanged at a level that is much improved from the average reading of last summer.

The mean values of expected inflation climbed somewhat in early March, but the less volatile median values rose only slightly. Mean expected inflation over the coming year climbed 0.6 percentage point to 4.3 percent, but the median value rose 0.1 percentage point to 2.9 percent. The mean value of expected inflation over the next five to ten years rose 0.4 percentage point to 5.1 percent; the median value rose just 0.1 percentage point to 3.3 percent.

March 18, 1994

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

	1993 Jul	1993 Aug	1993 Sep	1993 Oct	1993 Nov	1993 Dec	1994 Jan	1994 Feb	1994 Mar (p)
Indexes of consumer sentiment (Feb. 1966=100)									
Composite of current and expected conditions	77.0	77.3	77.9	82.7	81.2	88.2	94.3	93.2	92.1
Current conditions	96.2	95.1	95.2	98.7	98.2	102.9	106.6	108.3	103.4
Expected conditions	64.7	65.8	66.8	72.5	70.3	78.8	86.4	83.5	84.9

Personal financial situation									
Now compared with 12 months ago*	102	96	104	104	107	113	115	114	108
Expected in 12 months*	112	114	114	119	121	122	123	127	126
Expected business conditions									
Next 12 months*	80	76	77	95	83	107	126	121	121
Next 5 years*	66	73	76	76	77	87	99	88	94
Appraisal of buying conditions									
Cars	141	138	134	132	139	144	148	155	154
Large household appliances*	147	150	143	151	147	153	162	167	160
Houses	171	166	170	170	172	174	174	176	175
Willingness to use credit	42	42	50	43	55	50	50	52	54
Willingness to use savings	65	58	65	58	81	63	70	70	70
Expected unemployment change - next 12 months	130	129	133	137	131	115	104	115	115
Expected inflation - next 12 months	4.4	4.9	4.8	4.0	3.6	3.8	3.5	3.7	4.3
Expected inflation - next 5 to 10 years	5.0	4.6	4.6	4.8	4.5	4.8	4.8	4.7	5.1

* -- 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.

SELECTED FINANCIAL MARKET QUOTATIONS
(Percent except as noted)

Instrument	1993		1994		Change to Mar 17 1994			
	Mid-Oct lows	Feb 3	FOMC Feb	Mar 17	From Mid-Oct lows	From Feb 3	From FOMC Feb 4	
SHORT-TERM RATES								
Federal funds ²	3.07	3.07	3.07	3.22	0.15	0.15	0.15	
Treasury bills ³								
3-month	3.01	3.13	3.23	3.47	0.46	0.34	0.24	
6-month	3.09	3.27	3.38	3.79	0.70	0.52	0.41	
1-year	3.23	3.52	3.69	4.08	0.85	0.56	0.39	
Commercial paper								
1-month	3.13	3.16	3.16	3.60	0.47	0.44	0.44	
3-month	3.23	3.25	3.25	3.82	0.59	0.57	0.57	
Large negotiable CDs ³								
1-month	3.08	3.11	3.13	3.51	0.43	0.40	0.38	
3-month	3.22	3.25	3.26	3.75	0.53	0.50	0.49	
6-month	3.23	3.41	3.43	4.00	0.77	0.59	0.57	
Eurodollar deposits ⁴								
1-month	3.06	3.06	3.13	3.44	0.38	0.38	0.31	
3-month	3.25	3.25	3.31	3.75	0.50	0.50	0.44	
Bank prime rate	6.00	6.00	6.00	6.00	0.00	0.00	0.00	
INTERMEDIATE- AND LONG-TERM RATES								
U.S. Treasury (constant maturity)								
3-year	4.06	4.60	4.75	5.34	1.28	0.74	0.59	
10-year	5.19	5.81	5.94	6.40	1.21	0.59	0.46	
30-year	5.78	6.31	6.37	6.82	1.04	0.51	0.45	
Municipal revenue ⁵ (Bond Buyer)	5.41	5.49	5.49	6.06	0.65	0.57	0.57	
Corporate -A utility, recently offered	6.79	7.35	7.35	7.79	1.00	0.44	0.44	
Home mortgages ⁶								
FHLMC 30-yr. fixed rate	6.74	6.97	6.97	7.63	0.89	0.66	0.66	
FHLMC 1-yr adjustable rate	4.14	4.12	4.12	4.51	0.37	0.39	0.39	
Stock exchange index								
Stock exchange index	Record high		1989	1994		Percentage change to Mar 17		
	Level	Date	Low. Jan. 3	FOMC, Feb 4	Mar 17	From record high	From 1989 low	From FOMC Feb 4
Dow-Jones Industrial	3978.36	1/31/94	2144.64	3871.42	3865.14	-2.85	80.22	-0.16
NYSE Composite	267.71	2/2/94	154.00	261.21	261.11	-2.47	69.55	-0.04
NASDAQ (OTC)	803.85	3/17/94	378.56	777.28	803.85	0.00	112.34	3.42
Wilshire	4804.31	2/2/94	2718.59	4685.14	4730.58	-1.53	74.01	0.97

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 16, 1994.
 3. Secondary market

4. Bid rates for Eurodollar deposits at 11 a.m. London time.
 5. Most recent observation based on one-day Thursday quote and futures market index changes.
 6. Quotes for week ending Friday previous to date shown.