## Prefatory Note

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[^0]Date: June 24, 1999

To: Members of the Federal Open Market Committee
From: Thomas A. Connors TAC
Subject: Corrected Table, Greenbook Part 1, page I-38.

## STRICTLY-CONFIDENTIAL (FR) <br> CLASS II - FOMC

Attached is a corrected table, Impact of Alternative Assumptions, contained in Greenbook Part 1, page I-38. The table has been corrected to reflect the current baseline assumptions for U.S. real GDP and the U.S. CPI.

| Impact of Alternative Assumptions (Percent change, Q4 to Q4) |  |  |
| :---: | :---: | :---: |
| Measure | 1999 | 2000 |
| U.S. real GDP |  |  |
| Baseline | 3.7 | 2.6 |
| Stronger foreign GDP growth | 3.8 | 2.9 |
| Stronger foreign growth and weaker dollar ${ }^{1}$ | 3.9 | 4.1 |
| U.S. CPI excluding food and energy |  |  |
| Baseline | 2.1 | 2.5 |
| Stronger foreign GDP growth | 2.1 | 2.6 |
| Stronger foreign growth and weaker dollar ${ }^{1}$ | 2.2 | 3.4 |

NOTE. All simulations assume federal funds rate unchanged from baseline.

1. Assumes dollar path falls an additional 10 percent below baseline.

## SUPPLEMENT

## CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the<br>Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System
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## THE DOMESTIC NONFINANCIAL ECONOMY

## Real Gross Domestic Product. 1999:Q1

According to the BEA's final estimate, real GDP increased at an annual rate of 4.3 percent in the first quarter after having advanced at a 6.0 percent annual rate in the fourth quarter of 1998. Growth in real final sales slowed in the first quarter, but still posted a solid increase of 4.6 percent (annual rate). The slowdown in final sales reflected a substantial swing in the contribution from net exports, which had been boosted by transitory factors in the fourth quarter.

The final estimate of the first-quarter increase in real GDP was 0.2 percentage point higher than that in the preliminary release. The change owes mainly to upward revisions in net exports and nonresidential structures. The final estimate was a bit weaker than that anticipated in the June Greenbook because of marginally smaller than anticipated contributions from state and local consumption and investment, personal consumption expenditures, and net exports.

The GDP chain price index rose at an annual rate of 1.6 percent in the first quarter, compared with 0.9 percent over the four quarters of 1998 . The first-quarter increase was 0.1 percentage point higher than that in the preliminary estimate, the result of small upward revisions to the inflation estimates in several expenditure categories.

Real disposable personal income rose 3.5 percent in the first quarter, $3 / 4$ percentage point lower than in the preliminary release, and the personal saving rate was revised down to -0.7 percent. The downward revisions owe to BEA's incorporation of data on tax collections this spring, which showed higher estimates of federal income tax payments than assumed earlier.

Corporate profits (with inventory valuation and capital consumption adjustments) increased $\$ 47.1$ billion in 1999:Q1 following a decline of $\$ 5.3$ billion in 1998:Q4 when profits were held down $\$ 13.5$ billion by tobacco company payments related to litigation settlements. The revised estimate is $\$ 15$ billion higher than estimated in the preliminary report and raised the share of profits (excluding Federal Reserve banks) in GNP to 9.6 percent.

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

|  |  | 1998:Q4 | 1999:Q1 | 1999:Q1 |
| :---: | :---: | :---: | :---: | :---: |
|  |  | Final | Preliminary | Final |
| 1. | Gross domestic product | 6.0 | 4.1 | 4.3 |
| 2. | Final sales | 6.6 | 4.3 | 4.6 |
| 3. | Consumer spending | 5.0 | 6.8 | 6.7 |
| 4. | Durabies | 24.5 | 12.9 | 12.9 |
| 5. | Nondurables | 4.2 | 9.4 | 9.5 |
| 6. | Services | 1.7 | 4.3 | 4.1 |
| 7. | Business fixed investment | 14.6 | 7.9 | 8.5 |
| 8. | Producers' durable equipment | 17.8 | 9.7 | 9.5 |
| 9. | Nonresidential structures | 6.0 | 2.9 | 5.7 |
| 10. | Residential investment | 10.0 | 15.4 | 15.4 |
| 11. | Federal government consumption expenditures and investment | 7.3 | -1.7 | -1.9 |
| 12. | State and local government consumption expenditures and investment | 1.3 | 7.7 | 7.7 |
| 13. | Exports of goods and services | 19.7 | -6.8 | -5.1 |
| 14. | Imports of goods and services | 12.0 | 14.2 | 13.5 |
| ADDENDA: |  |  |  |  |
| 15. | Nonfarm inventory investment ${ }^{1}$ | 37.5 | 34.7 | 35.1 |
| 16. | Motor vehicles ${ }^{1}$ | 6.8 | 1.5 | 1.5 |
| 17. | Excl. motor vehicles ${ }^{1}$ | 30.7 | 33.2 | 33.6 |
| 18. | Net exports of goods and services ${ }^{1}$ | -250.0 | -310.1 | -303.6 |
| 19. | Nominal GDP | 6.9 | 5.6 | 6.0 |
| 20. | GDP price index | . 8 | 1.5 | 1.6 |
| 21. | Profit share ${ }^{2}$ | 9.5 | 9.7 | 9.9 |
| 22. | (Excluding FR banks) | 9.2 | 9.4 | 9.6 |
| 23. | Real disposable personal income | 4.3 | 4.3 | 3.5 |
| 24. | Personal saving rate (percent) | . 0 | -. 6 | -. 7 |

[^1]
## Consumer Sentiment

According to the final report, the Michigan Survey Research Center (SRC) index of consumer sentiment rose $1 / 2$ percentage point in June. ${ }^{1}$ Expectations of future business conditions improved considerably in June. However, respondents' assessments of their current finances were little changed this month, and their views concerning their future finances dipped a bit. Appraisals of buying conditions for large household appliances fell back in June after having climbed to a historical high in May.

Responses to questions that are not included in the overall index were somewhat mixed in June. The index of expected unemployment change fell sharply indicating a substantial improvement in assessments of labor market conditions over the next twelve months. In addition, households' willingness to use savings to finance a major purchase soared in June to its highest level since September 1984. However, appraisals of buying conditions for cars and for homes moved lower in June, reflecting, in part, some dissatisfaction with current interest rates.

The mean of expected inflation over the next twelve months edged down 0.1 percentage point to 3.1 percent, but the median declined $1 / 4$ percentage point to 2.5 percent. The mean of expected inflation over the next five to ten years declined 0.2 percentage point to 3.3 percent, and the median fell 0.1 percentage point to 2.8 percent.

## Sales and Prices of Existing Homes

Sales of existing homes declined 4 percent in May to an annual rate of 5.04 million units. With this decrease, existing home sales are down 7 percent from their record high in March. Existing home sales respond to changing market conditions with a lag because many of them are recorded at the time a sale is closed rather than when the sales contract is signed. The recent declines in existing home sales follow a falloff in new home sales between December and March. In April, however, new home sales increased 9-1/4 percent, and other,

[^2]

(Not seasonally adjusted)

|  | 1998 <br> Oct. | 1998 <br> Nov. | 1998 <br> Dec. | 1999 <br> Jan. | $1999$ Feb | $1999$ <br> Mar. | 1999 <br> Apr . | $1999$ May | 1999 <br> June <br> (f) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Indexes of consumer sentiment (Feb. 1966=100) |  |  |  |  |  |  |  |  |  |
| Composite of current and expected conditions Current conditions Expected conditions | $\begin{array}{r} 97.4 \\ 112.8 \\ 87.5 \end{array}$ | $\begin{array}{r} 102.7 \\ 115.9 \\ 94.3 \end{array}$ | $\begin{array}{r} 100.5 \\ 113.9 \\ 91.9 \end{array}$ | $\begin{array}{r} 103.9 \\ 116.8 \\ 95.7 \end{array}$ | $\begin{aligned} & 108.1 \\ & 115.0 \\ & 103.6 \end{aligned}$ | $\begin{array}{r} 105.7 \\ 116.3 \\ 99.0 \end{array}$ | $\begin{array}{r} 104.6 \\ 115.9 \\ 97.4 \end{array}$ | $\begin{array}{r} 106.8 \\ 121.1 \\ 97.6 \end{array}$ | $\begin{array}{r} 107.3 \\ 118.9 \\ 99.8 \end{array}$ |
| Personal financial situation |  |  |  |  |  |  |  |  |  |
| Now compared with 12 months ago* | 131 | 130 | 128 | 133 | 133 | 130 | 134 | 133 | 133 |
| Expected in 12 months* | 133 | 130 | 133 | 132 | 138 | 134 | 136 | 135 | 133 |
| Expected business conditions |  |  |  |  |  |  |  |  |  |
| Next 12 months* | 118 | 136 | 130 | 143 | 152 | 141 | 141 | 144 | 147 |
| Next 5 years* | 101 | 113 | 107 | 110 | 127 | 123 | 115 | 114 | 122 |
| Appraisal of buying conditions |  |  |  |  |  |  |  |  |  |
| Cars | 153 | 155 | 151 | 157 | 153 | 152 | 150 | 151 | 150 |
| Large household appliances* | 162 | 171 | 168 | 170 | 166 | 172 | 167 | 182 | 176 |
| Houses | 178 | 173 | 182 | 176 | 178 | 167 | 168 | 171 | 168 |
| Willingness to use credit | 53 | 53 | 52 | 47 | 53 | 51 | 49 | 52 | 53 |
| Willingness to use savings | 70 | 77 | 69 | 75 | 81 | 80 | 73 | 75 | 88 |
| Expected unemployment change - next 12 months | 121 | 119 | 124 | 115 | 108 | 113 | 109 | 110 | 102 |
| Prob. household will lose a job - next 5 years | 21 | 22 | 19 | 21 | 20 | 21 | 23 | 22 | 20 |
| Expected inflation - next 12 months |  |  |  |  |  |  |  |  |  |
| Mean | $2.6$ | $2.7$ | $2.8$ | $3.0$ | $2.8$ | $3.1$ | $3.0$ | $3.2$ | 3.1 |
| Median | 2.5 | 2.3 | 2.5 | 2.7 | 2.5 | $2.7$ | $2.7$ | $2.8$ | 2.5 |
| Expected inflation - next 5 to 10 years |  |  |  |  |  |  |  |  |  |
| Median | 2.8 | 2.8 | 2.9 | $3.0$ | 2.8 | 3.0 2.7 | $2.8$ | $2.9$ | 3.3 2.8 |
| * -- Indicates the question is one of the five equally-weighted components of the index of sentiment. <br> (p) -- Preliminary <br> (f) -- Final <br> 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. |  |  |  |  |  |  |  |  |  |

## THE MARKET FOR EXISTING HOUSES

|  | 1998 | 1998 |  | $\frac{1999}{Q 1}$ | 1999 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Q3 | Q4 |  | Mar. | Apr. | May |
| Sales ${ }^{1}$ |  |  |  |  |  |  |  |
| Total | 4,970 | 4,980 | 5,100 | 5,207 | 5,420 | 5,250 | 5,040 |
| Percent Change | 13.4 | 0.7 | 2.4 | 2.1 | 5.4 | -3.1 | -4.0 |
| Previously reported level | 4,970 | 4,980 | 5,100 | 5,207 | 5,420 | 5,240 |  |
| Regional Sales |  |  |  |  |  |  |  |
| Northeast | 662 | 660 | 657 | 687 | 720 | 660 | 630 |
| Midwest | 1,130 | 1,123 | 1,173 | 1,153 | 1,190 | 1,150 | 1,100 |
| South | 1,868 | 1,867 | 1,930 | 2,023 | 2,110 | 2,030 | 2,000 |
| West | 1,309 | 1,333 | 1,337 | 1,347 | 1,400 | 1,420 | 1,320 |
| Inventories |  |  |  |  |  |  |  |
| Existing homes for sale ${ }^{2}$ | 2,086 | 2,047 | 2,086 | 2,080 | 2,080 | 2,119 | 2,083 |
| Months' supply ${ }^{3}$ | 5.2 | 5.0 | 4.8 | 4.7 | 4.6 | 4.8 | 5.0 |
| Prices ${ }^{4}$ |  |  |  |  |  |  |  |
| Average | 159.1 | 161.9 | 159.1 | 161.6 | 162.3 | 163.8 | 167.9 |
| Percent change | 5.7 | 5.2 | 4.5 | 5.9 | 5.9 | 4.9 | 5.3 |
| Median | 128.4 | 130.7 | 128.7 | 129.3 | 129.6 | 130.7 | 133.1 |
| Percent change | 5.4 | 5.0 | 4.8 | 4.5 | 4.0 | 3.9 | 3.3 |
| Repeat Sales Index ${ }^{5}$ | 154.9 | 156.1 | 157.8 | 159.5 | ND | ND | ND |
| Percent change | 5.7 | 5.8 | 5.4 | 4.9 | ND | ND | ND |

Note: Annual and quarterly levels are averages of monthly data.

1. Thousands of units, seasonally adjusted annual rate, except where noted. Percent change is from previous comparable period.
2. Thousands of units, seasonally adjusted, end of period stock.
3. At current sales rate; expressed as the ratio of seasonally adjusted inventories to seasonally adjusted sales.
4. Price levels are expressed in thousands of dollars and are not seasonally adjusted. Percent changes are from the previous comparable period a year earlier.
5. The index equals 100 in the first quarter of 1987.

ND--data not reported on a monthly basis.

June 25, 1999
more timely indicators of housing demand--such as builders' ratings of new home sales and applications for home mortgages--rose from April through June.

The year-over-year increase in the median price of existing homes was 3.3 percent in May, the lowest such increase recorded over the past twelve months. The average price was up 5.3 percent from a year earlier, which is near the midpoint of the distribution of such increases over the past twelve months. These price series do not adjust for compositional changes in the structural characteristics and amenities of homes sold. The most recent observation for the repeat-sales price index for existing homes--which holds constant some of the compositional shifts that can affect the median and average prices--shows a 4.9 percent increase in the first quarter from a year earlier. ${ }^{2}$
Shipments and Orders of Durable Goods
New orders for durable goods rose 1.4 percent in May. A big increase in the volatile series for aircraft orders accounted for all of the gain: Excluding aircraft, orders edged off 0.2 percent last month. The staff's constructed series on real adjusted durable goods orders-which strips out nondefense aircraft, defense capital goods, and industries for which reported orders actually equal shipments--ticked down 0.1 percent in May, but remained 2.5 percent above its first-quarter average.

Orders for nondefense capital goods excluding aircraft fell 1 percent in May. The decline was due to a large drop in orders for engines and turbines, which have been running at very high levels. Excluding engines and turbines and aircraft, orders for nondefense capital goods rose 2.4 percent last month to level 2.9 percent above the first-quarter average. Most notably, sizable increases were posted in May for construction machinery and metalworking machinery, two industries whose shipments were depressed by weak foreign demand over the past year. Orders for communications equipment remained on a steep uptrend, rising 1 percent in May.

[^3]ORDERS AND SHIPMENTS OF DURABLE GOODS
(Percent change from comparable previous period, seasonally adjusted)

| 1998 |  |  | 1999 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Q3 | Q4 | Q1 | Mar. | Apr. <br> (r) | $\begin{aligned} & \text { May } \\ & (\mathrm{a}) \end{aligned}$ |


| Orders | 4.3 | -4.3 | 6.9 | 1 | -1.3 | 2.8 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Aircraft and parts | 1.7 | -19.7 | 33.8 | -22.2 | -15.6 | 37.8 |
| Excluding aircraft and parts | 4.7 | -1.6 | 3.1 | 3.9 | 5 | -1.0 |
| Office and computing | 2.7 | . 6 | -. 5 | 4.0 | 1.7 | . 5 |
| Communications equipment | -3.0 | 5.8 | 11.6 | 3.9 | -2.3 | 1.0 |
| All other | 7.7 | -4.4 | 2.4 | 3.9 | . 9 | -2.1 |
| Shipments | 1.6 | 4.0 | -1.4 | 2.7 | 1.2 | 1.3 |
| Aircraft and parts | 2.5 | 17.2 | -5.2 | . 2 | 1.5 | . 4 |
| Excluding aircraft and parts | 1.4 | 1.7 | -. 6 | 3.2 | 1.1 | 1.4 |
| Office and computing | 2.0 | . 6 | -. 1 | -1.0 | 6.2 | -. 5 |
| Communications equipment | 2.1 | 5.3 | 5.7 | 5.5 | 2.3 | 1.4 |
| All other | 1.0 | 1.2 | -2.5 | 4.4 | -1.3 | 2.3 |

Supplementary orders series

| Durable goods* | 2.7 | .6 | 3.8 | 2.9 | -2.3 | 1.4 |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: |
| $\quad$ Industries with unfilled | 3.0 | .0 | 3.6 | 2.9 | -2.2 | 1.5 |
| $\quad$ orders | 3.6 | -2.8 | 7.2 | 4.0 | -5.6 | 4.1 |
| Capital goods | 4.3 | -4.3 | 6.9 | . .1 | -1.3 | 2.8 |
| $\quad$ Nondefense | -2.3 | 11.2 | 9.4 | 41.3 | -35.5 | 17.6 |
| $\quad$ Defense | 4.9 | .9 | 3.3 | 3.0 | 1.0 | -.1 |

[^4]
## RECENT DATA ON ORDERS AND SHIPMENTS



Communications Equipment
Billions of Dollars


Other Equipment (excl. aircraft, computers, and communications eq.)
Billions of Dollars


Shipments of nondefense capital goods excluding aircraft rose 1.4 percent last month. Computer shipments ticked down 0.5 percent following a very large gain in April. Shipments of communications equipment advanced 1.4 percent in May and stood 5-1/2 percent above their first-quarter average level. Shipments of nondefense capital goods excluding aircraft and high-tech equipment posted a strong gain last month, increasing 2.3 percent.

| CHANGES IN MANUFACTURING AND TRADE INVENTORIES (Billions of dollars; annual rate except as noted; based on seasonally adjusted Census book value) |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Category | 1998 |  | $\begin{gathered} 1999 \\ \mathbf{Q 1} \end{gathered}$ | 1999 |  |  |
|  | Q3 | 04 |  | Feb. | Mar. | Apr. |
| Manufacturing and trade | 41.4 | 26.2 | 33.4 | 42.8 | 63.5 | 25.3 |
| Less wholesale and retail motor vehicles | 33.8 | 6.3 | 9.6 | 27.3 | 9.6 | 8.8 |
| Manufacturing | 7.4 | -7.0 | -12.9 | -8.0 | -7.4 | -8.4 |
| Less aircraft | 1.3 | -3.9 | -3.0 | -9.4 | 3.1 | -. 6 |
| Merchant wholesalers | 26.4 | 11.3 | 5.9 | 22.3 | 8.0 | 6.3 |
| Less motor vehicles | 24.5 | 6.3 | 4.7 | 21.5 | 1.0 | 5.7 |
| Retail trade | 7.6 | 21.9 | 40.4 | 28.5 | 63.0 | 27.3 |
| Automotive dealers | 5.7 | 14.9 | 22.6 | 14.7 | 46.9 | 15.8 |
| Less automotive dealers | 1.8 | 6.9 | 17.8 | 13.8 | 16.0 | 11.5 |

SELECTED INVENTORY-SALES RATIOS IN MANUFACTURING AND TRADE (Months, supply, based on seasonally adjusted Census book value)

| Category | Cyclical <br> reference points |  | Range over preceding 12 months |  | $\begin{aligned} & \text { April } \\ & 1999 \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{aligned} & \text { 1990-91 } \\ & \text { high } \end{aligned}$ | $\begin{gathered} \text { 1991-98 } \\ \text { low } \end{gathered}$ | High | Low |  |
| Manufacturing and trade Less wholesale and retail motor vehicles | 1.58 1.55 | 1.37 1.34 | 1.39 1.37 | 1.35 1.32 | 1.36 1.33 |
| Manufacturing | 1.75 | 1.36 | 1.40 | 1.33 | 1.33 |
| Primary metals | 2.08 | 1.46 | 1.74 | 1.57 | 1.66 |
| Steel | 2.56 | 1.59 | 2.25 | 1.86 | 2.10 |
| Nonelectrical machinery | 2.48 | 1.61 | 1.67 | 1.61 | 1.61 |
| Electrical machinery | 2.08 | 1.21 | 1.39 | 1.21 | 1.20 |
| Transportation equipment | 2.93 | 1.51 | 1.85 | 1.49 | 1.52 |
| Motor vehicles | . 97 | . 53 | . 64 | . 52 | . 53 |
| Aircraft | 5.84 | 4.05 | 4.97 | 4.05 | 4.05 |
| Nondefense capital goods | 3.09 | 2.04 | 2.21 | 2.04 | 2.00 |
| Textiles | 1.71 | 1.38 | 1.59 | 1.48 | 1.54 |
| Paper | 1.32 | 1.06 | 1.23 | 1.17 | 1.19 |
| Chemicals | 1.44 | 1.25 | 1.45 | 1.37 | 1.38 |
| Petroleum | . 94 | . 80 | . 99 | . 85 | . 82 |
| Home goods \& apparel | 1.96 | 1.59 | 1.75 | 1.59 | 1.53 |
| Merchant wholesalers | 1.36 | 1.24 | 1.33 | 1.29 | 1.30 |
| Less motor vehicles | 1.31 | 1.21 | 1.32 | 1.27 | 1.29 |
| Durable goods | 1.83 | 1.54 | 1.66 | 1.59 | 1.59 |
| Nondurable goods | . 95 | . 90 | . 99 | . 94 | . 97 |
| Retail trade | 1.61 | 1.44 | 1.48 | 1.42 | 1.44 |
| Less automotive dealers | 1.48 | 1.38 | 1.42 | 1.36 | 1.36 |
| Automotive dealers | 2.22 | 1.56 | 1.66 | 1.56 | 1.70 |
| General merchandise | 2.42 | 1.98 | 2.04 | 1.91 | 1.93 |
| Apparel | 2.53 | 2.27 | 2.54 | 2.35 | 2.31 |
| GAF | 2.42 | 2.04 | 2.09 | 1.98 | 1.99 |

Inventory-Sales Ratios, by Major Sector
(Book value)
Manufacturing

Selected Financial Market Quotations
(One-day quotes in percent except as noted)

| Instrument | 1998 |  | 1999 |  | Change to June 24 from selected dates (percentage points) |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Oct. 15 | Dec. 31 | FOMC* <br> May 18 | June 24 | Oct. 15 | Dec. 31 | FOMC* <br> May 18 |
| Short-term |  |  |  |  |  |  |  |
| Federal funds |  |  |  |  |  |  |  |
| FOMC intended rate | 5.00 | 4.75 | 4.75 | 4.75 | -. 25 | . 00 | . 00 |
| Realized rate ${ }^{1}$ | 5.40 | 4.58 | 4.85 | 4.73 | -. 67 | . 15 | -. 12 |
| Treasury bills ${ }^{2}$ |  |  |  |  |  |  |  |
| 3-month | 4.05 | 4.37 | 4.55 | 4.60 | . 55 | . 23 | . 05 |
| 6 -month | 4.12 | 4.39 | 4.62 | 4.85 | . 73 | . 46 | . 23 |
| 1 -year | 4.06 | 4.33 | 4.64 | 4.90 | . 84 | . 57 | . 26 |
| Commercial paper |  |  |  |  |  |  |  |
| 1-month | 5.27 | 4.90 | 4.80 | 5.04 | -. 23 | . 14 | . 24 |
| 3-month | 5.13 | 4.84 | 4.83 | 5.03 | -. 10 | . 19 | . 20 |
| Large negotiable CDs ${ }^{2}$ |  |  |  |  |  |  |  |
| 1 -month | 5.35 | 5.01 | 4.86 | 5.11 | -. 24 | . 10 | . 25 |
| 3-month | 5.31 | 4.97 | 4.94 | 5.23 | -. 08 | . 26 | . 29 |
| 6 -month | 5.10 | 4.97 | 5.05 | 5.40 | . 30 | . 43 | . 35 |
| Eurodollar deposits ${ }^{3}$ |  |  |  |  |  |  |  |
| 1-month | 5.34 | 4.94 | 4.75 | 5.00 | -. 34 | . 06 | . 25 |
| 3-month | 5.28 | 4.94 | 4.88 | 5.19 | -. 09 | . 25 | . 31 |
| Bank prime rate | 8.25 | 7.75 | 7.75 | 7.75 | -. 50 | . 00 | . 00 |
| Intermediate- and long-term <br> U.S. Treasury (constant maturity) |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| 2 -year | 4.13 | 4.54 | 5.31 | 5.75 | 1.62 | 1.21 | . 44 |
| 10-year | 4.58 | 4.65 | 5.66 | 6.05 | 1.47 | 1.40 | . 39 |
| 30-year | 5.02 | 5.09 | 5.91 | 6.17 | 1.15 | 1.08 | . 26 |
| U.S. Treasury 10-year indexed note | 3.69 | 3.88 | 3.82 | 4.01 | . 32 | . 13 | . 19 |
| Municipal revenue (Bond Buyer) ${ }^{4}$ | 5.21 | 5.26 | 5.34 | 5.62 | . 41 | . 36 | . 28 |
| Corporate bonds, Moody's seasoned Baa | 7.26 | 7.23 | 7.75 | 8.15 | . 89 | . 92 | . 40 |
| High-yield corporate ${ }^{5}$ | 11.29 | 10.52 | 10.42 | 10.72 | -. 57 | . 20 | . 30 |
| Home morgages (FHLMC survey rate) ${ }^{6}$ 30 -year fixed | 6.49 | 6.77 | 7.10 | 7.65 | 1.16 | . 88 | . 55 |
| 1 -year adjustable | 5.36 | 5.58 | 5.71 | 5.94 | . 58 | . 36 | . 23 |


| Stock exchange index | Record high |  | 1998 | 1999 |  | Change to June 24 from selected dates (percent) |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Level | Date | Dec. 31 | FOMC* May 18 | June 24 | Record high | Dec. 31 | FOMC* <br> May 18 |
| Dow-Jones Industrial | 11,107.19 | 5-13-99 | 9,181.43 | 10,853.47 | 10,534.83 | -5.15 | 14.74 | -2.94 |
| S\&P 500 Composite | 1,367.56 | 5-13-99 | 1,229.23 | 1,339.49 | 1,315.78 | -3.79 | 7.04 | -1.77 |
| Nasdaq (OTC) | 2,652.05 | 4-26-99 | 2,192.69 | 2,561.84 | 2,553.99 | -3.70 | 16.48 | -.31 |
| Russell 2000 | 491.41 | 4-21-98 | 421.96 | 441.35 | 443.16 | -9.82 | 5.02 | . 41 |
| Wilshire 5000 | 12,549.05 | 5-13-99 | 11,317.59 | 12,293.78 | 12,072.98 | -3.79 | 6.67 | -1.80 |

[^5]
## Commercial Bank Credit

(Percent change; seasonally adjusted annual rate)

| Type of credit | 1998 | 1998 |  |  | 1999 |  | Level,May1999(billions of \$) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Q4 | Q1 | Mar | Apr | May |  |
| 1. Bank credit: Reported | 11.0 | 16.8 | -0.8 | -8.8 | 1.8 | 2.6 | 4,502 |
| 2. Adjusted ${ }^{1}$ | 10.3 | 15.4 | 1.3 | -1.6 | 1.6 | 2.9 | 4,416 |
| 3. Securities: Reported | 13.9 | 22.8 | -5.8 | -18.7 | 0.7 | 0.2 | 1,189 |
| 4. Adjusted ${ }^{1}$ | 11.2 | 17.6 | 1.9 | 9.3 | -0.2 | 1.4 | 1,103 |
| 5. U.S. government | 5.9 | 8.3 | 4.1 | 11.4 | 0.5 | -1.8 | 798 |
| 6. Other ${ }^{2}$ | 32.1 | 51.9 | -23.6 | -75.6 | 1.2 | 4.3 | 391 |
| 7. Loans ${ }^{3}$ | 10.0 | 14.7 | 1.1 | -5.2 | 2.1 | 3.5 | 3,313 |
| 8. Business | 12.0 | 16.1 | -0.2 | 4.6 | 4.3 | -6.3 | 949 |
| 9. Real estate | 6.7 | 10.2 | 7.1 | -0.2 | 1.6 | 6.2 | 1,347 |
| 10. Home equity | 0.0 | -3.2 | -2.4 | 1.2 | 11.0 | 12.1 | 100 |
| 11. Other | 7.3 | 11.4 | 7.9 | -0.3 | 0.9 | 5.7 | 1,246 |
| 12. Consumer: Reported | -1.8 | 4.8 | 2.3 | -3.1 | 1.2 | -9.6 | 496 |
| 13. Adjusted $^{4}$ | 5.8 | 7.8 | 2.9 | 3.0 | 1.7 | -4.9 | 755 |
| 14. Other ${ }^{5}$ | 29.6 | 33.1 | -12.3 | -38.0 | 0.7 | 27.5 | 522 |

Note. 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 shown are percentage changes in consecutive levels, annualized but not compounded.

1. Adjusted to remove effects of mark-to-market accounting rules (FIN 39 and FASB 115).
2. Includes securities of corporations, state and local governments, and foreign governments and any trading account assets that are not U.S. govemment securities.
3. Excludes interbank loans.
4. Includes an estimate of outstanding loans securitized by commercial banks.
5. Inciudes security loans, loans to farmers, state and local govemments, and all others not elsewhere classified. Also includes lease financing receivables.

[^0]:    ${ }^{1}$ 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.

[^1]:    1. Level, billions of chained (1992) dollars.
    2. Economic profits as a share of nominal GNP.
[^2]:    1. The increase shown in the final tabulations was less than shown in the preliminary June report, which was released on June 11 and showed the index up more than 2 percentage points.
[^3]:    2. This index is calculated by Fannie Mae and Freddie Mac using price data obtained when houses are sold repeatedly or refinanced.
[^4]:    r--Revised.
    a--Advance.
    *--Contains industry detail not shown separately.

[^5]:    1. Average for two-week reserve maintenance period ending on or before date shown. Most recent observation is average for current maintenance period to date.
    2. Secondary market.
    3. Bid rates for Eurodollar deposits collected around 9:30 a.m. Eastern time.
    4. Most recent Thursday quote.
    5. Merrill Lynch Master II high-yield bond index composite.
    6. For week ending Friday previous to date shown.

    * Data are as of the close on May 17, 1999.

