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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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SUPPLEMENTAL NOTES

U.S. International Transactions

Trade in Goods and Services

In June, the nominal U.S. trade deficit in goods and services was \$24.6 billion, considerably larger than the deficit in May. For the second quarter, the deficit was \$258 billion at a seasonally adjusted annual rate, \$43 billion larger than in the first quarter.

Net Trade in Goods & Services
(Billions of dollars, seasonally adjusted)

	1998	Annual rate			Monthly rate		
		1998	1999		1999		
		Q4	Q1	Q2	April	May	June
Real NIPA ¹							
Net exports of G&S	-238.2	-250.0	-303.6	-323.0	---	---	---
Nominal BOP							
Net exports of G&S	-164.3	-173.0	-215.0	-257.5	-18.6	-21.2	-24.6
Goods, net	-246.9	-254.3	-296.8	-338.6	-25.3	-27.9	-31.4
Services, net	82.6	81.3	81.8	81.1	6.7	6.7	6.8

¹ Billions of chained (1992) dollars

Source U.S. Department of Commerce, Bureau of Economic Analysis and Census

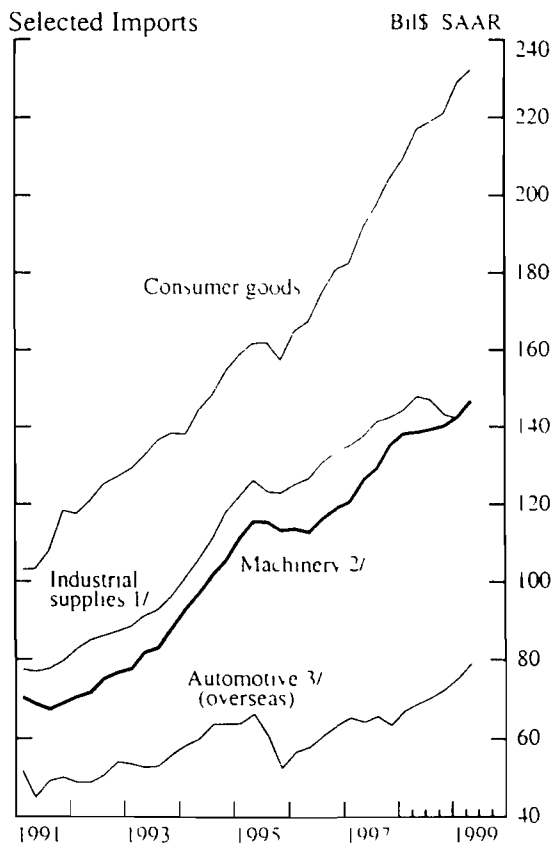
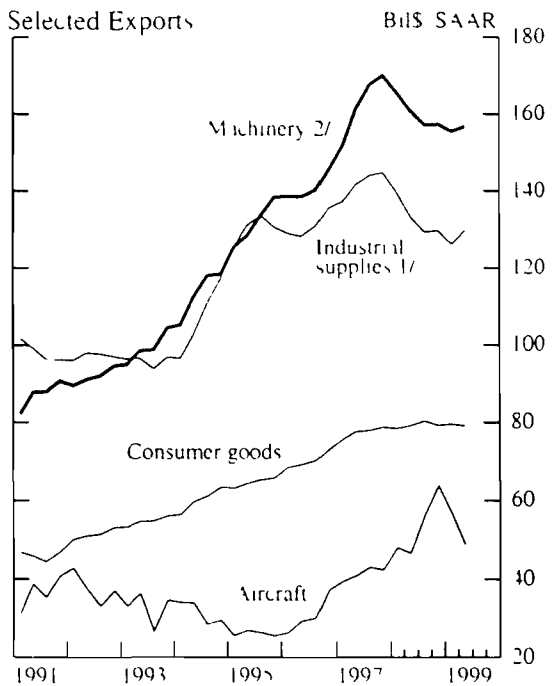
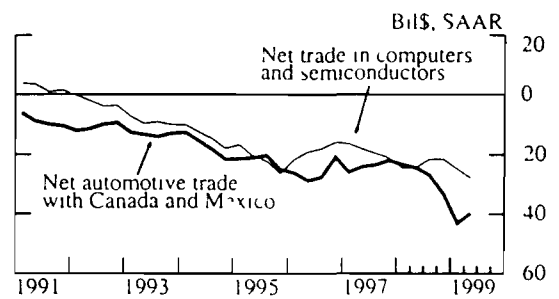
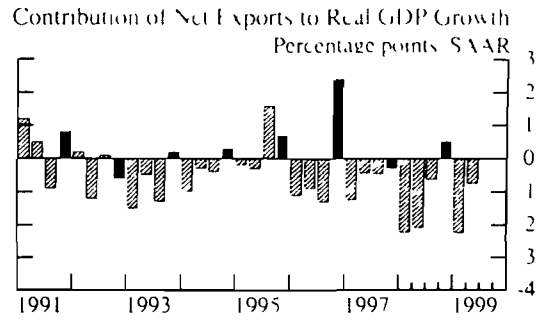
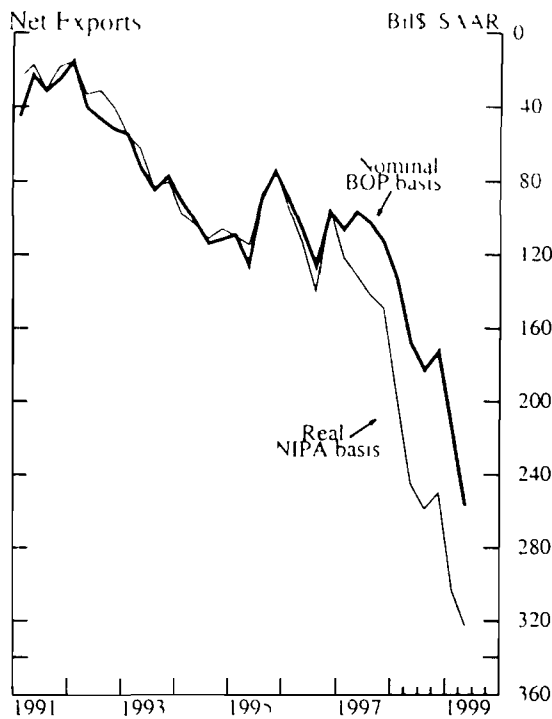
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The value of exports rose 1/2 percent in June, with small increases primarily in automotive products and service receipts. For the second quarter, the value of exports rose 1.1 percent over the first quarter level, nearly returning to the peak levels recorded in the fourth quarter of last year. Increases in the second quarter were spread among several major trade categories, including automotive products (mostly to Canada and Mexico), industrial supplies (especially fuels), computers, semiconductors, and service receipts. Exports of agricultural products rose moderately in the second quarter, while exports of aircraft declined sharply for the second consecutive quarter.

The value of imports rose 3.9 percent in June, marking the second consecutive month of strong increases. Imports rose in all major trade

categories, with particularly strong rates of increase in capital goods, automotive products, and consumer goods. For the second quarter, imports were 4.6 percent above the first-quarter level, as all major trade categories registered increases. Much of the increase was in oil as the effects of sharply higher prices were augmented by a modest increase in quantity. Sizable rates of increase were also recorded for imports of computers, semiconductors, and industrial supplies (especially building materials).

U.S. International Trade in Goods and Services



1 Excludes agriculture and gold
2 Excludes computers and semiconductors

1 Excludes oil and gold
2 Excludes computers and semiconductors
3 Excludes Canada and Mexico

U.S. Exports and Imports of Goods and Services
(Billions of dollars, SAAR, BOP basis)

	Levels				Amount Change ¹			
	1999		1999		1999		1999	
	Q1	Q2	May	June	Q1	Q2	May	June
Exports of G&S	928.4	938.2	935.5	940.4	-19.2	9.8	-3.2	5.0
Goods exports	657.2	662.7	661.5	663.4	-23.3	5.5	-1.8	2.0
Agricultural	47.3	49.3	49.2	50.4	-7.0	1.9	1.1	1.2
Gold	2.9	3.3	2.0	3.9	-4.2	0.5	-2.0	1.9
Other goods	607.0	610.1	610.2	609.1	-12.1	3.1	-0.9	-1.1
Aircraft & pts	56.6	48.6	48.1	46.0	-7.0	-8.0	-3.4	-2.1
Computers	44.1	46.4	46.7	46.8	-1.4	2.2	1.2	0.0
Semiconductors	42.1	45.2	45.2	45.3	2.5	3.1	0.1	0.1
Other cap gds	158.8	159.1	159.4	159.0	-1.6	0.3	0.6	-0.4
Automotive	71.4	75.1	73.0	78.1	-3.3	3.6	-1.1	5.1
to Canada	42.7	44.6	44.4	46.8	-1.0	1.9	1.7	2.4
to Mexico	10.3	11.4	11.5	11.4	-1.7	1.1	0.2	-0.1
to ROW	18.4	19.1	17.2	20.0	-0.7	0.6	-3.0	2.9
Ind supplies	126.1	129.8	130.9	130.5	-3.6	3.7	2.7	-0.4
Consumer goods	79.6	79.1	78.0	78.6	0.4	-0.4	-2.8	0.6
All other	28.2	26.9	28.8	24.8	1.9	-1.3	5.6	-4.1
Services exports	271.2	275.5	274.0	277.0	4.1	4.3	-1.5	3.0
Imports of G&S	1143.4	1195.7	1189.5	1235.9	22.8	52.3	27.7	46.4
Goods imports	954.0	1001.3	996.2	1040.4	19.1	47.3	29.0	44.1
Petroleum	42.4	64.5	67.9	69.8	-3.4	22.2	12.0	1.9
Gold	3.2	3.2	3.0	3.3	-3.3	-0.1	-0.2	0.3
Other goods	908.4	933.6	925.4	967.3	25.9	25.2	17.2	41.9
Aircraft & pts	22.2	22.6	22.7	23.3	-2.1	0.4	1.0	0.6
Computers	77.6	82.0	80.8	85.9	2.9	4.5	1.3	5.1
Semiconductors	33.4	37.3	38.1	38.2	1.5	3.9	2.4	0.1
Other cap gds	145.9	149.7	148.8	157.7	2.6	3.7	6.3	9.0
Automotive	171.6	175.0	175.1	185.5	10.4	3.4	10.6	10.5
from Canada	65.1	62.6	63.4	64.5	7.0	-2.5	3.5	1.1
from Mexico	30.9	33.3	34.3	34.4	0.3	2.3	3.2	0.0
from ROW	75.6	79.2	77.3	86.7	3.1	3.6	3.8	9.4
Ind supplies	142.2	146.1	144.8	148.5	-0.9	3.9	-0.2	3.7
Consumer goods	229.1	232.3	226.9	237.8	8.2	3.2	-5.3	10.9
Foods	41.7	43.8	43.6	45.1	0.1	2.1	1.0	1.5
All other	44.6	44.8	44.6	45.3	3.2	0.2	0.1	0.7
Services imports	189.4	194.4	193.2	195.5	3.6	5.0	-1.3	2.3
<i>Memo</i>								
Oil qty (mb/d)	11.21	12.01	12.17	12.65	0.20	0.81	0.94	0.48
Oil price (\$/bbl)	10.39	14.68	15.28	15.10	-0.99	4.29	1.64	-0.18

¹ Change from previous quarter or month

Source: U.S. Department of Commerce, Bureau of Economic Analysis and Census

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

Instrument	1998		1999		Change to Aug 19 from selected dates (percentage points)		
	Oct 15	Dec 31	FOMC* June 30	Aug 19	Oct 15	Dec 31	FOMC* June 30
<i>Short-term</i>							
<i>Federal funds</i>							
FOMC intended rate	5 00	4 75	4 75	5 00	00	25	25
Realized rate ¹	5 40	4 58	4 72	5 02	38	44	30
<i>Treasury bills ²</i>							
3-month	4 05	4 37	4 70	4 62	57	25	- 08
6-month	4 12	4 39	4 92	4 87	75	48	05
1-year	4 06	4 33	4 89	4 90	84	57	01
<i>Commercial paper</i>							
1-month	5 27	4 90	5 18	5 18	09	28	00
3-month	5 13	4 84	5 12	5 27	14	43	15
<i>Large negotiable CDs ²</i>							
1-month	5 35	5 01	5 21	5 29	- 06	28	08
3-month	5 31	4 97	5 32	5 43	12	46	11
6-month	5 10	4 97	5 43	5 87	77	90	44
<i>Eurodollar deposits ³</i>							
1-month	5 34	4 94	5 13	5 25	09	31	12
3-month	5 28	4 94	5 25	5 44	16	50	19
<i>Bank prime rate</i>							
	8 25	7 75	7 75	8 00	25	25	25
<i>Intermediate- and long term</i>							
<i>U S Treasury (constant maturity)</i>							
2-year	4 13	4 54	5 68	5 66	1 53	1 12	- 02
10-year	4 58	4 65	5 93	5 90	1 32	1 25	- 03
30-year	5 02	5 09	6 07	6 03	1 01	94	04
U S Treasury 10-year indexed note	3 69	3 88	4 01	4 02	33	14	01
Municipal revenue (Bond Buyer) ⁴	5 21	5 26	5 62	5 86	65	60	24
Corporate bonds Moody's seasoned Baa	7 26	7 23	8 05	8 13	87	90	08
High-yield corporate ⁵	11 28	10 17	10 53	10 84	- 44	67	31
<i>Home mortgages (FHLMC survey rate) ⁶</i>							
30-year fixed	6 49	6 77	7 63	8 15	1 66	1 38	52
1 year adjustable	5 36	5 58	5 93	6 24	88	66	31

Stock exchange index	Record high		1998	1999		Change to Aug 19 from selected dates (percent)		
	Level	Date	Dec 31	FOMC* June 30	Aug 19	Record high	Dec 31	FOMC* June 30
Dow-Jones Industrial	11,209 84	7-16 99	9 181 43	10,815 35	10 963 84	-2 19	19 41	1 37
S&P 500 Composite	1 418 78	7-16-99	1 229 23	1,351 45	1,323 59	6 71	7 68	-2 06
Nasdaq (OTC)	2,864 48	7 16-99	2,192 69	2,642 11	2,621 43	8 48	19 55	78
Russell 2000	491 41	4-21-98	421 96	454 08	432 77	11 93	2 56	-4 69
Wilshire 5000	12,976 99	7 16-99	11,317 59	12,377 95	12,060 50	-7 06	6 56	-2 56

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 175 high-yield bond index composite

6 For week ending Friday previous to date shown

* Data are as of the close on June 29, 1999

Commercial Bank Credit
(Percent change, seasonally adjusted annual rate)

Type of credit	1998	1999			1999		Level, Jul 1999 (billions of \$)
		Q1	Q2	May	Jun	Jul	
1. Bank credit: Reported	11.0	-0.3	-0.5	1.4	8.8	-1.2	4,534
2. Adjusted ¹	10.3	1.9	1.7	2.0	11.0	0.1	4,461
3. Securities: Reported	14.1	-6.1	-3.7	-1.1	17.5	16.3	1,221
4. Adjusted ¹	11.2	2.1	4.8	1.0	26.9	22.5	1,148
5. U.S. government	5.9	4.1	4.3	-2.7	20.9	5.5	816
6. Other ²	32.4	-24.5	-19.3	1.9	10.5	38.9	405
7. Loans ³	9.9	1.8	0.7	2.4	5.7	-7.5	3,313
8. Business	11.9	1.3	2.4	-6.4	7.3	1.1	959
9. Real estate	6.6	7.8	3.1	6.7	3.9	0.7	1,355
10. Home equity	0.1	-2.4	4.9	12.1	-8.4	-66.2	94
11. Other	7.1	8.6	2.9	6.3	4.9	6.1	1,261
12. Consumer: Reported	-1.5	2.9	-3.6	-10.3	-12.0	-20.4	485
13. Adjusted ⁴	6.0	3.4	0.7	-5.5	3.0	1.4	760
14. Other ⁵	30.1	-12.7	-4.4	20.0	24.5	-32.2	515

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. government securities.

3. Excludes interbank loans.

4. Includes an estimate of outstanding loans securitized by commercial banks.

5. Includes security loans, loans to farmers, state and local governments, and all others not elsewhere classified. Also includes lease financing receivables.