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CLASS III - FOMC

October 1, 1999

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

## THE DOMESTIC NONFINANCIAL ECONOMY

### Personal Income and Consumer Spending

**Personal income and outlays.** Total nominal personal income rose 0.5 percent (\$39.1 billion) in August, following a 0.2 percent (\$16.8 billion) gain in July. Wage and salary disbursements increased 0.6 percent (\$25.2 billion) in August--a bit faster than data on production workers hours and wages for the month would have suggested. Proprietors' income and rental income both rose in August following declines in July, while most other components of personal income posted gains in August that were about in line with recent averages.<sup>1</sup> Personal tax and nontax payments fell in August owing to a tax rebate in Minnesota, and prices rose moderately. As a result, real disposable personal income also increased 0.5 percent in August.

Real personal consumption expenditures rose 0.6 percent in August, following a small gain in July. Outlays for durable goods jumped 2.8 percent, boosted by a surge in spending for motor vehicles.<sup>2</sup> Purchases of furniture also rose in August, and real spending on computers jumped nearly five percent after two months of relatively weak sales. Real expenditures for nondurable goods increased 0.4 percent as outlays for apparel, gasoline, and a host of "other nondurable goods" posted increases while spending for food was unchanged. Real expenditures for services increased 0.3 percent in August, reflecting gains in personal care, personal business, medical care, and recreational services. In contrast, spending fell for air, bus, and rail travel.

After incorporating the expected revision to motor vehicle spending, today's data imply slightly higher real PCE growth in the third quarter than we had written down in the September Greenbook.

**Consumer sentiment.** According to the final report, the Michigan Survey Research Center index of consumer sentiment rose 2-3/4 index points in September, pushing it toward the high end of the range recorded so far this year. Both the current and expected conditions indexes moved up last month after having dropped a bit in August. Improvements in expectations of future

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1. Farm subsidy payments boosted these components in June, and the removal of the payments in July pulled income down for the month.

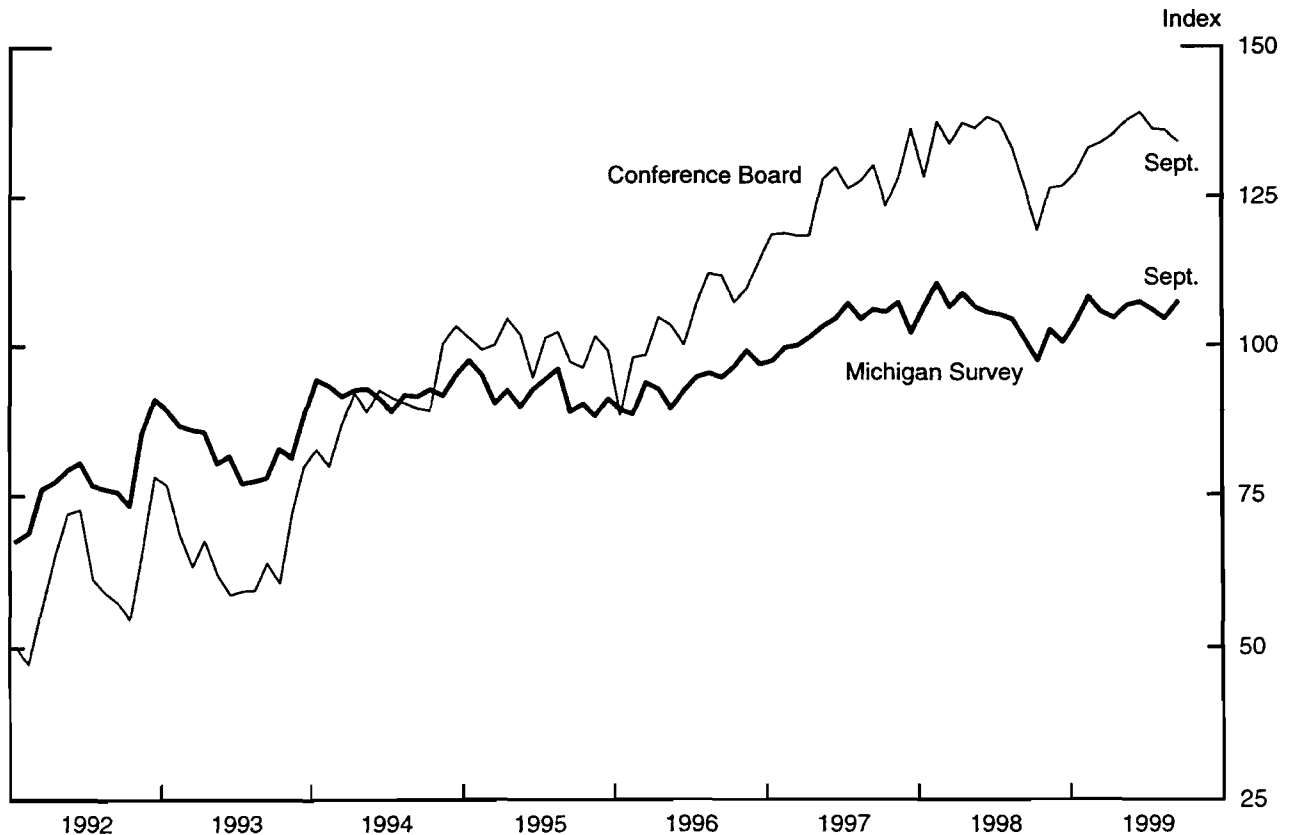
2. The BEA does not have motor vehicle registration data in hand when they make their first monthly estimate of the allocation of light vehicle sales between consumers and businesses. Given the confidential data we (but not BEA) receive from motor vehicle manufacturers, we think that BEA's current numbers for August overstate sales to consumers and understate sales to businesses. We expect these numbers to be revised in subsequent releases.

**REAL PERSONAL CONSUMPTION EXPENDITURES**  
(Percent change from the preceding period)

	1998	1999		1999		
		Q1	Q2	June	July	Aug.
	Q4/Q4	- Annual rate -		--- Monthly rate ---		
<b>PCE</b>	5.3	6.7	4.8	.4	.1	.6
<b>Durables</b>	13.2	12.9	9.7	.6	-.7	2.8
Motor vehicles	15.1	-.6	8.2	.3	-2.3	5.5
Other durable goods	11.8	23.4	10.7	.7	.5	1.0
<b>Nondurables</b>	4.7	9.5	2.8	.3	.0	.4
Gas and oil	2.9	-.4	.5	.8	-1.0	.6
Clothing and shoes	6.9	29.2	3.8	.4	.7	1.2
Other nondurables	4.4	6.2	2.8	.3	-.1	.2
<b>Services</b>	4.0	4.1	4.7	.4	.3	.3
<b>Energy</b>	-4.6	14.9	15.2	1.7	.4	-.0
<b>Non-energy</b>	4.4	3.7	4.3	.3	.3	.3
Housing	2.4	2.9	2.3	.2	.2	.2
Household operation	6.5	6.9	8.8	.4	.5	.5
Transportation	2.7	3.2	3.5	.8	-.1	.0
Medical	3.0	2.0	2.9	.3	.3	.1
Recreation	9.9	12.4	12.8	1.1	1.2	1.1
Personal business	6.0	5.4	7.7	-.5	.1	.3
Brokerage services	17.1	35.3	32.3	-5.5	.1	.3
Other	6.8	1.0	1.6	.9	.2	.7

Note. Derived from billions of chained (1992) dollars.

**Consumer Confidence**



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

	1999 Jan.	1999 Feb.	1999 Mar.	1999 Apr.	1999 May	1999 June	1999 July	1999 Aug.	1999 Sept.
Indexes of consumer sentiment (Feb. 1966=100)									
Composite of current and expected conditions	103.9	108.1	105.7	104.6	106.8	107.3	106.0	104.5	107.2
Current conditions	116.8	115.0	116.3	115.9	121.1	118.9	116.5	114.1	115.9
Expected conditions	95.7	103.6	99.0	97.4	97.6	99.8	99.2	98.4	101.5
-----									
Personal financial situation									
Now compared with 12 months ago*	133	133	130	134	133	133	132	132	132
Expected in 12 months*	132	138	134	136	135	133	135	139	135
Expected business conditions									
Next 12 months*	143	152	141	141	144	147	147	140	150
Next 5 years*	110	127	123	115	114	122	118	118	124
Appraisal of buying conditions									
Cars	157	153	152	150	151	150	153	148	145
Large household appliances*	170	166	172	167	182	176	171	165	169
Houses	176	178	167	168	171	168	167	153	149
Willingness to use credit	47	53	51	49	52	53	49	50	47
Willingness to use savings	75	81	80	73	75	88	73	65	62
Expected unemployment change - next 12 months	115	108	113	109	110	102	109	113	110
Prob. household will lose a job - next 5 years	21	20	21	23	22	20	24	21	20
Expected inflation - next 12 months									
Mean	3.0	2.8	3.1	3.0	3.2	3.1	3.0	3.2	3.2
Median	2.7	2.5	2.7	2.7	2.8	2.5	2.7	2.8	2.7
Expected inflation - next 5 to 10 years									
Mean	3.5	3.3	3.0	3.0	3.5	3.3	3.3	3.3	3.5
Median	3.0	2.8	2.7	2.8	2.9	2.8	2.9	2.8	2.9

\* -- 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. Expected change in unemployment is the fraction expecting unemployment to rise minus the fraction expecting unemployment to fall, plus 100.

business conditions, along with improved appraisals of buying conditions for large household appliances, were responsible for the rise in the overall sentiment index in September. Respondents continued to report favorably about their present financial situations compared with a year ago, but reported lower expectations last month about their financial outlooks for the coming year.

Among those questions not included in the overall index, the proportion of respondents expecting an increase in unemployment over the next twelve months declined slightly. The index of expected unemployment change remained in the narrow, favorable range observed so far this year. Consumers' appraisals of buying conditions for cars and houses have fallen modestly in the past two months: Survey results point to recent increases in interest rates as playing a role in the case of houses. (The survey asks about interest-rate effects for housing purchases, but not for cars.)

The mean of expected inflation over the next 12 months remained at 3.2 percent in September while the median ticked down 0.1 percentage point to 2.7 percent. The mean of expected inflation over the next five to ten years increased 0.2 percentage point to 3.5 percent; the median rose 0.1 percentage point to 2.9 percent.

### **Motor Vehicles**

The first set of reports on sales of light motor vehicles in September indicate another strong month. General Motors, DaimlerChrysler, Toyota, Honda, and Nissan reported light vehicle sales for September as of 4:45 p.m. today. Based on those reports, total sales are estimated to have run at an annual rate of about 17.4 million units, down only 200,000 units from the torrid pace in August. Reported sales at General Motors, Toyota, and Honda were down slightly from their levels in August, but sales at DaimlerChrysler and Nissan were noticeably higher.

The latest estimate of motor vehicle assemblies from Wards Communications points toward a notable drop in assemblies in September, to 13.2 million units (annual rate) from August's elevated 13.7 million unit rate. The weekly data suggest a slightly weaker rate of production in September. Looking ahead, today's revised figures on manufacturers' fourth-quarter schedules suggest that manufacturers plan to maintain the high level of production seen in recent quarters in order to meet the torrid pace of demand. The upward revision to fourth-quarter schedules is consistent with our assumption in the Greenbook that production plans as of last week were low given the pace of sales and were likely to be revised up somewhat.

**Production of Domestic Autos and Trucks**

(Millions of units at an annual rate except as noted; FRB seasonal basis)

Item	1999					
	Q2	Q3 <sup>1</sup>	Q4 <sup>1</sup>	Aug.	Sept. <sup>1</sup>	Oct. <sup>1</sup>
U.S. production	13.1	13.1	13.1	13.7	13.2	13.7
Autos	5.6	5.6	5.8	5.7	5.8	6.1
Trucks	7.5	7.5	7.3	8.0	7.4	7.7
Days' supply						
Autos	57.0	n.a.	n.a.	47.5	n.a.	n.a.
Light trucks <sup>2</sup>	64.9	n.a.	n.a.	67.1	n.a.	n.a.

NOTE. Components may not sum to totals because of rounding.

1. Production rates are manufacturers' schedules.

2. Excludes medium and heavy (class 4-8) trucks.

n.a. Not available.

**Sales of New Homes**

Sales of new homes rose 2.9 percent in August to an annual rate of 983,000 units just shy of the all-time high posted in November 1998. However, the level of sales was revised down 3-1/4 percent in June and 2-1/2 percent in July.<sup>3</sup> The average sales pace during the first two months of the current quarter was 969,000 units, up 5.4 percent from the pace during the first half of the year. The inventory of new homes for sale rose 1.6 percent last month to 313,000 units; this level would provide 3.9 months' supply at the August sales pace--in the middle of the range during the past year.

The median price of new homes sold fell 2.6 percent during the twelve months ended in August while the average price rose 6.3 percent. In August, the difference in the two prices was unusually large: The median price of new homes was \$150,800, about three-fourths as large as the average price of \$198,300. According to an analyst at the Census, the divergence last month was the result of an unusual number of sales of very expensive homes.

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3. Sales of new homes are only actually measured after a permit for construction of the unit has been issued. In its monthly estimates, the Census uses a mechanical procedure to estimate the number of homes sold before a permit is issued (so-called pre-sales). In subsequent months, as permits for these homes are issued, the imputation is largely replaced with actual sales. This procedure overestimated pre-sales in June and July and may have overestimated sales again in August.

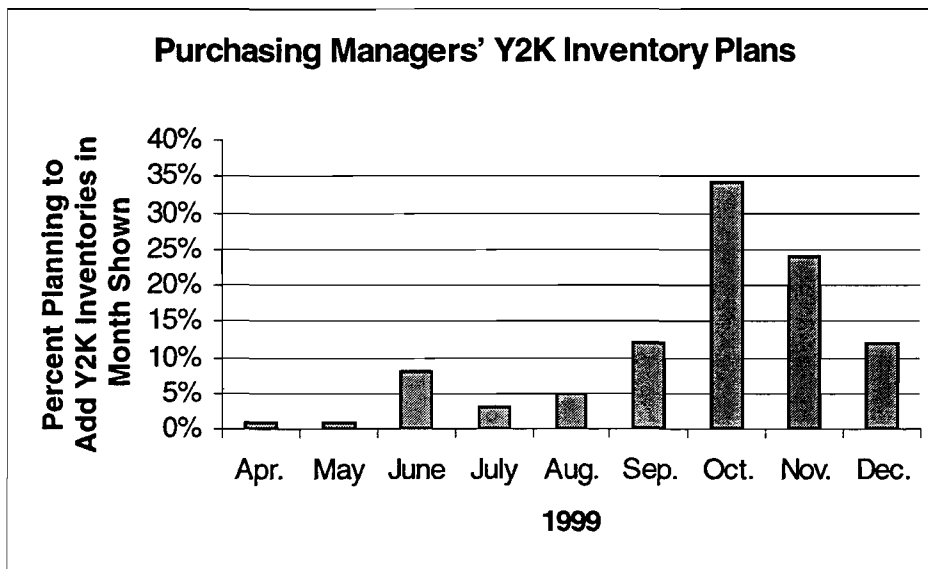


### **National Association of Purchasing Management's Survey**

According to the National Association of Purchasing Management's (NAPM) Survey, the manufacturing sector expanded for the eighth consecutive month in September as the overall index rose 3.6 percentage points to 57.8 percent. After having weakened slightly in August, the NAPM's production index strengthened in September. New orders accelerated sharply, with the diffusion index reaching its highest level since June 1994. Export orders also rose, although not as sharply as total orders. The gap between the percentage of respondents who reported an increase in export orders and the percentage who reported decrease was the largest since mid-1997. The survey also reported a faster rate of inventory reduction by manufacturers in September than in August. Delivery times continued to slow in September.

Purchasing managers reported that manufacturers paid higher prices in September than in August, and the index for prices paid climbed to its highest level since May 1995; the percentage of purchasing managers reporting increases in prices paid for materials and supplies exceeded the percentage reporting decreases by 35.1 percentage points--half again as high as in August and triple the gap reported in July. The list of commodities that were up in price during September included aluminum, chemicals, copper, ethylene, gasoline, some polyethylene products, wood pulp, and several paper products.

This month's survey also asked a series of special question on Y2K preparations, focusing on inventory and production issues. Thirty-eight percent of purchasing managers indicated that they planned to build additional inventories as a buffer against possible Y2K disruptions in supply. Purchasing managers who indicated plans to accumulate precautionary stocks reported that the goods to be accumulated represented about 22-1/2 percent of their companies' inventories; the types of goods most frequently mentioned as likely to be stockpiled included components, packaging and raw materials, imported parts, chemicals, and finished goods. For most respondents who indicated plans to build stocks, the additional supplies would represent fewer than twenty additional days of supply: 39 percent of respondents planned to accumulate fewer than 10 additional days of supply and 21 percent of respondents planned to accumulate between 11 and 20 additional days of supply. As shown in the accompanying figure, purchasing managers reported that most of these additional inventories will be accumulated this fall; 34 percent of respondents indicated plans to build stocks in October, perhaps explaining part of the surge in this month's index of new orders. Overall, the purchasing managers responses to the special Y2K questions echoed the sentiments in the special theme report on Y2K issues sent to the Board and the Reserve Bank presidents this week.



### Construction Expenditures

The total nominal value of construction put in place declined 0.4 percent in August after a 0.6 percent decline in the previous month. Total construction was revised down slightly in each of the four previous months, as upward revisions to public construction nearly offset downward adjustments to private construction.

Private construction fell again in August to a level 2.4 percent below its average during the first quarter. After having been quite strong last winter when favorable weather may have boosted activity, construction has since trended down. In August, a decline in the single-family sector more than offset an increase in multifamily construction. The level of private nonresidential construction in August was 1.8 percent less than in the previous month and 5-1/4 percent below the first-quarter average. Since last winter, office construction has moved up, but this rise has been more than offset by weakness elsewhere, especially in the industrial and other commercial sectors (the latter of which includes retail stores and warehouses). In the public sector, construction spending by state and local governments rose 3 percent in August, retracing about half of the decline that occurred since last winter.

Other things being equal, today's data would suggest a small downward revision in the construction sector's contribution to third-quarter real GDP, compared with the forecast shown in the September Greenbook.

October 1, 1999

SUMMARY OF SURVEY OF PURCHASING MANAGERS  
FOR INDUSTRIAL FIRMS

	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3	1999 June	1999 July	1999 Aug.	1999 Sept.
Purchasing Managers' Index <sup>1</sup>	49.1	46.9	52.1	55.0	55.1	57.0	53.4	54.2	57.8
----- Percent reporting -----									
<u>New orders</u>									
Increases	27	20	29	36	31	36	26	28	39
Same	49	50	52	50	56	51	58	58	52
Declines	24	30	20	14	13	13	16	14	9
Net difference (n.s.a.) <sup>2</sup>	2	-10	9	22	18	23	10	14	30
Net difference (s.a.) <sup>2</sup>	1.4	-6.6	11.1	17.4	16.8	24.0	8.7	13.0	29.1
<u>Backlog of orders</u>									
Greater	20	14	19	25	23	25	20	22	27
Same	53	53	54	58	59	59	61	61	55
Less	27	32	27	17	18	16	19	17	18
Net difference (n.s.a.) <sup>3</sup>	-7	-18	-8	9	5	9	1	5	9
Net difference (s.a.) <sup>3</sup>	-9.3	-17.8	-4.4	7.1	2.9	9.5	1.1	2.0	5.6
<u>New export orders</u>									
Increases	11	10	13	14	16	15	13	16	20
Same	70	67	75	77	77	78	77	78	76
Declines	20	23	12	9	7	7	10	6	4
Net difference (n.s.a.) <sup>2</sup>	-9	-13	1	6	10	8	3	10	16
Net difference (s.a.) <sup>2</sup>	-11.0	-13.5	3.6	4.9	7.5	6.6	.6	8.4	13.8
<u>Imports</u>									
Increases	14	12	12	15	16	13	17	14	17
Same	75	76	79	78	77	80	73	81	77
Declines	11	12	9	8	7	7	10	5	6
Net difference (n.s.a.) <sup>2</sup>	4	1	3	7	9	6	7	9	11
Net difference (s.a.) <sup>2</sup>	2.2	.6	4.8	7.2	7.4	5.8	3.2	7.7	11.5
<u>Production</u>									
Increases	22	21	29	35	29	36	27	27	34
Same	56	56	54	55	57	54	57	58	56
Declines	22	23	17	11	14	10	16	15	10
Net difference (n.s.a.) <sup>2</sup>	0	-2	11	24	16	26	11	12	24
Net difference (s.a.) <sup>2</sup>	1.9	-2.2	12.9	20.4	17.4	26.4	16.1	13.2	23.2
<u>Employment</u>									
Increases	14	11	14	21	17	21	18	17	16
Same	63	64	63	64	69	66	66	71	69
Declines	23	25	23	15	14	13	16	12	15
Net difference (n.s.a.) <sup>2</sup>	-9	-14	-9	6	3	8	2	5	1
Net difference (s.a.) <sup>2</sup>	-8.3	-12.6	-7.9	3.2	3.0	3.5	-.3	6.6	2.9
<u>Prices paid</u>									
Increases	6	3	5	19	32	22	23	32	42
Same	64	60	62	67	60	67	65	62	52
Declines	30	37	33	15	8	11	12	6	6
Net difference (n.s.a.) <sup>2</sup>	-25	-34	-28	4	24	11	11	26	36
Net difference (s.a.) <sup>2</sup>	-26.4	-33.7	-25.5	3.9	22.3	7.7	10.7	21.3	35.1
<u>Inventories</u>									
Increases	14	12	11	12	13	13	14	14	10
Same	60	63	65	66	65	63	60	67	69
Declines	25	25	24	22	22	24	26	19	21
Net difference (n.s.a.) <sup>2</sup>	-11	-12	-12	-10	-9	-11	-12	-5	-11
Net difference (s.a.) <sup>2</sup>	-12.1	-9.4	-12.7	-11.5	-10.5	-11.8	-11.4	-6.7	-13.7
<u>Supplier deliveries</u>									
Slower	7	5	6	7	12	9	13	8	14
Same	89	89	88	89	86	87	84	89	85
Faster	4	6	6	4	2	4	3	3	1
Net difference (n.s.a.) <sup>4</sup>	3	-1	1	3	9	5	10	5	13
Net difference (s.a.) <sup>4</sup>	.9	-.8	2.8	2.9	7.5	6.2	8.7	2.1	11.8
<u>Average lead times, number of days, not seasonally adjusted</u>									
MRO supplies	22	23	24	24	25	27	22	28	23
Production materials	44	46	45	45	47	44	49	49	44
Capital goods	120	121	116	118	116	118	118	118	112

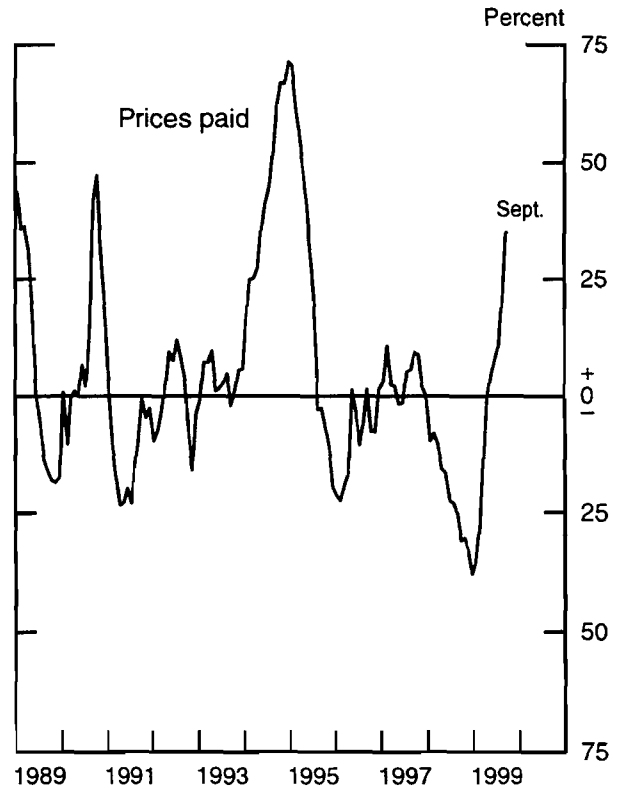
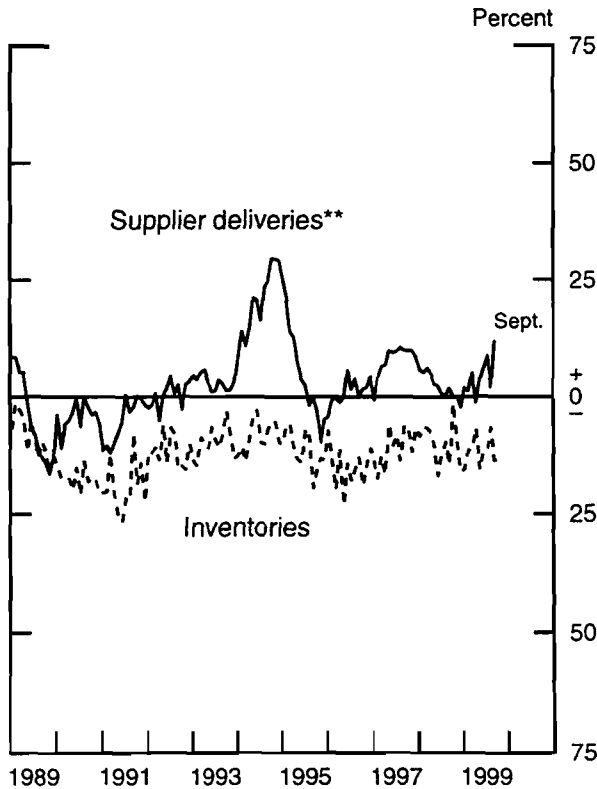
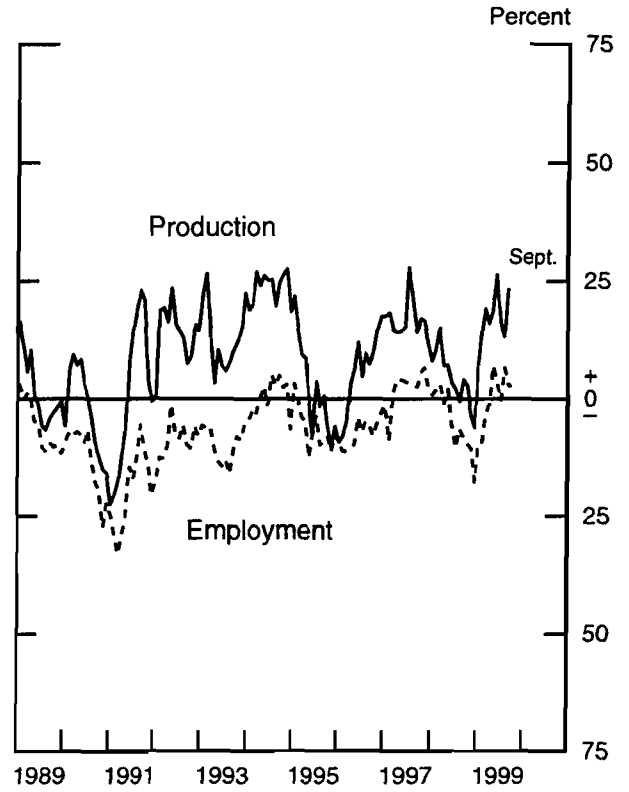
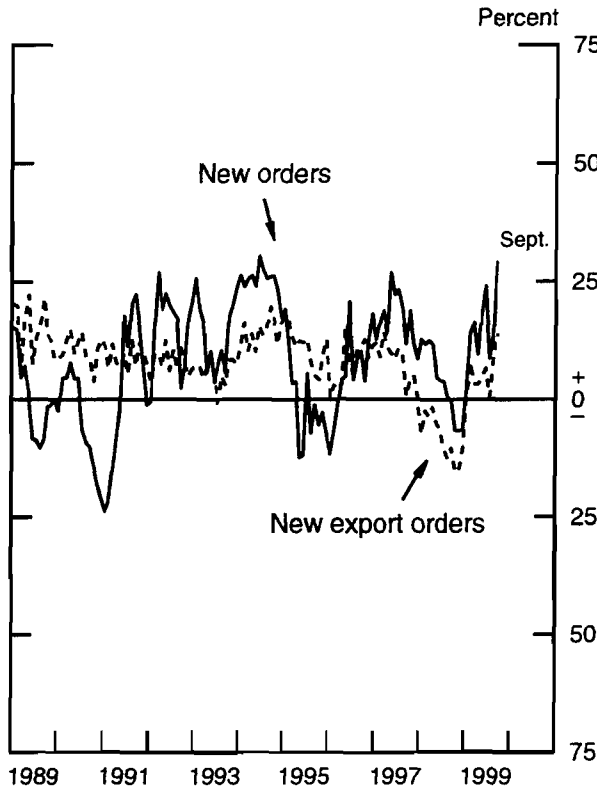
1. The overall PMI is a weighted average of five seasonally adjusted series in the purchasing managers' survey: new orders, production, employment, suppliers' delivery performance, and inventories. PMI = 50 is the reference point separating overall growth (PMI > 50) and decline (PMI < 50) in the industrial sector.

2. Increases minus declines.

3. Greater minus less.

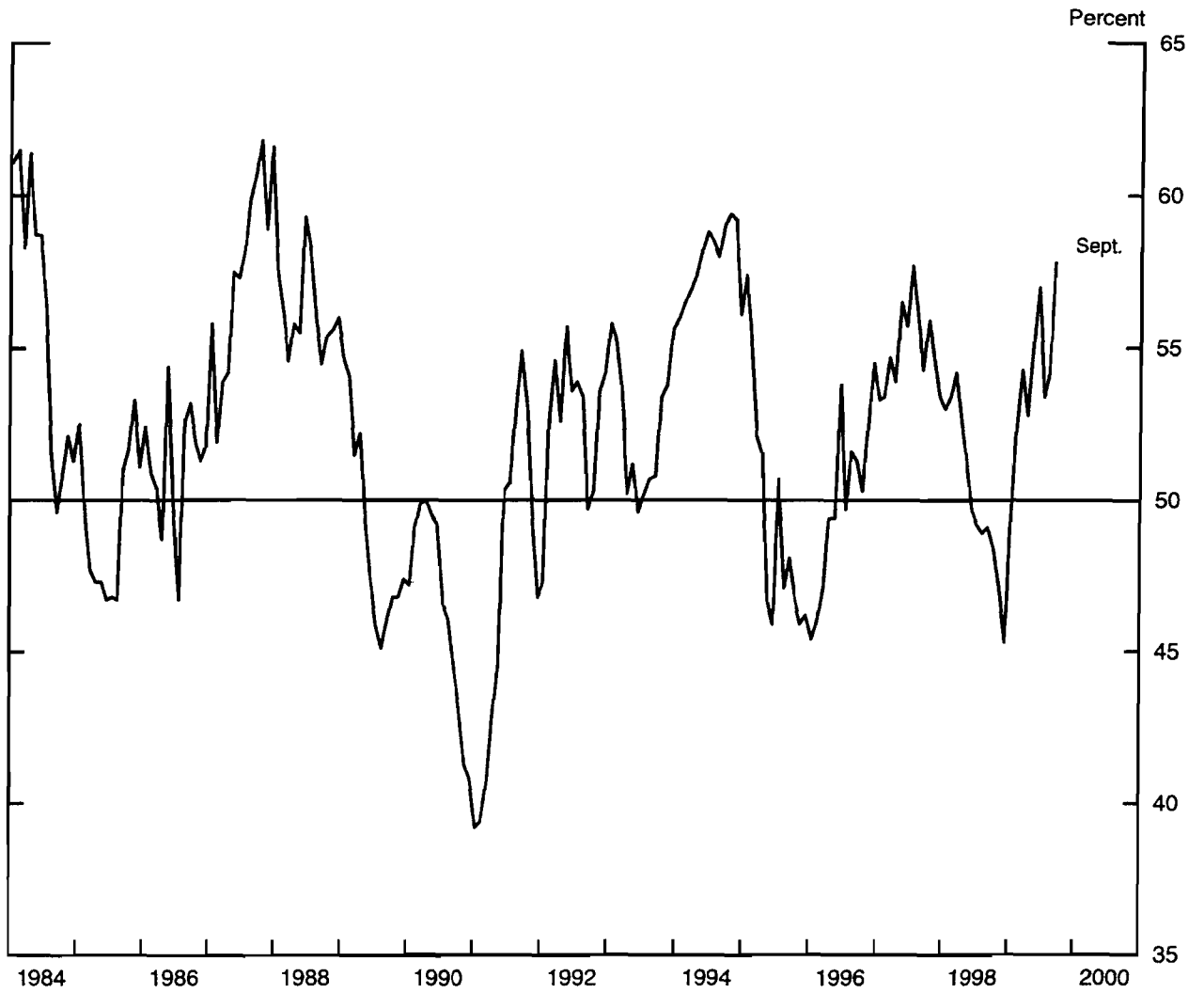
4. Slower less faster.

### Purchasing Managers\* (Seasonally adjusted)



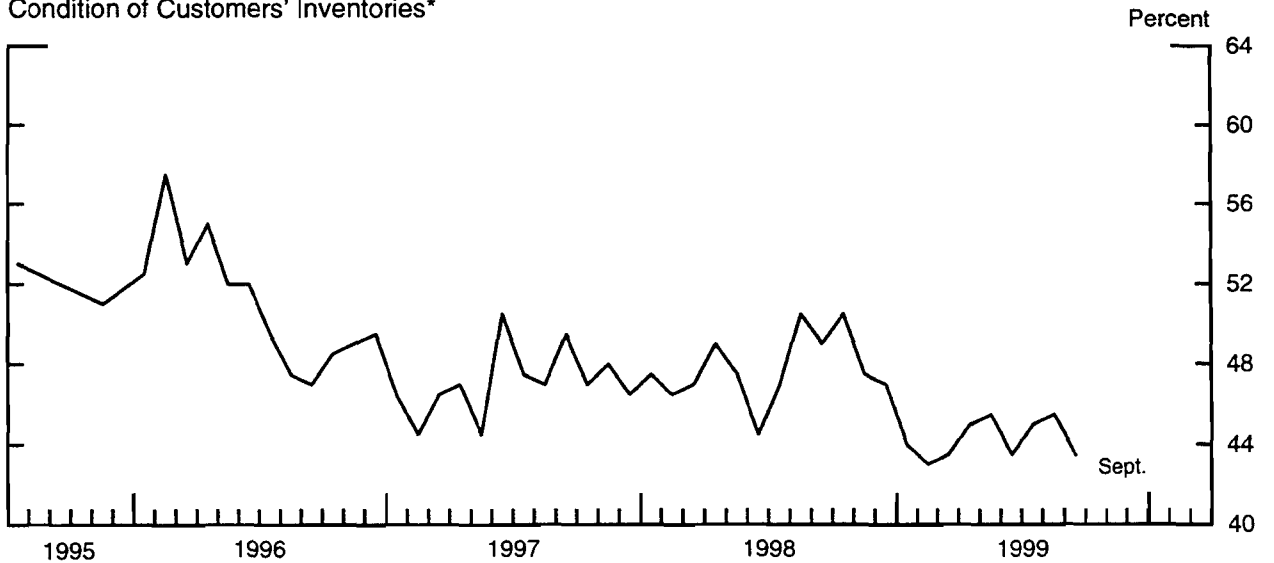
\* Percent reporting increases are netted with those reporting decreases.  
\*\* Positive entries represent slower deliveries.

### Purchasing Managers' Index (Seasonally adjusted)



The Purchasing Managers' Index (PMI) is a composite index based on the seasonally adjusted diffusion indexes for five of the indicators (New orders, Production, Vendor deliveries, Inventories and Employment) with different weights applied. Seasonal adjustment is done by the NAPM.

### Condition of Customers' Inventories\*



\* Percent too high plus 1/2 (percent about right).

### New Orders for Durable Goods

(Percent change from preceding period; seasonally adjusted)

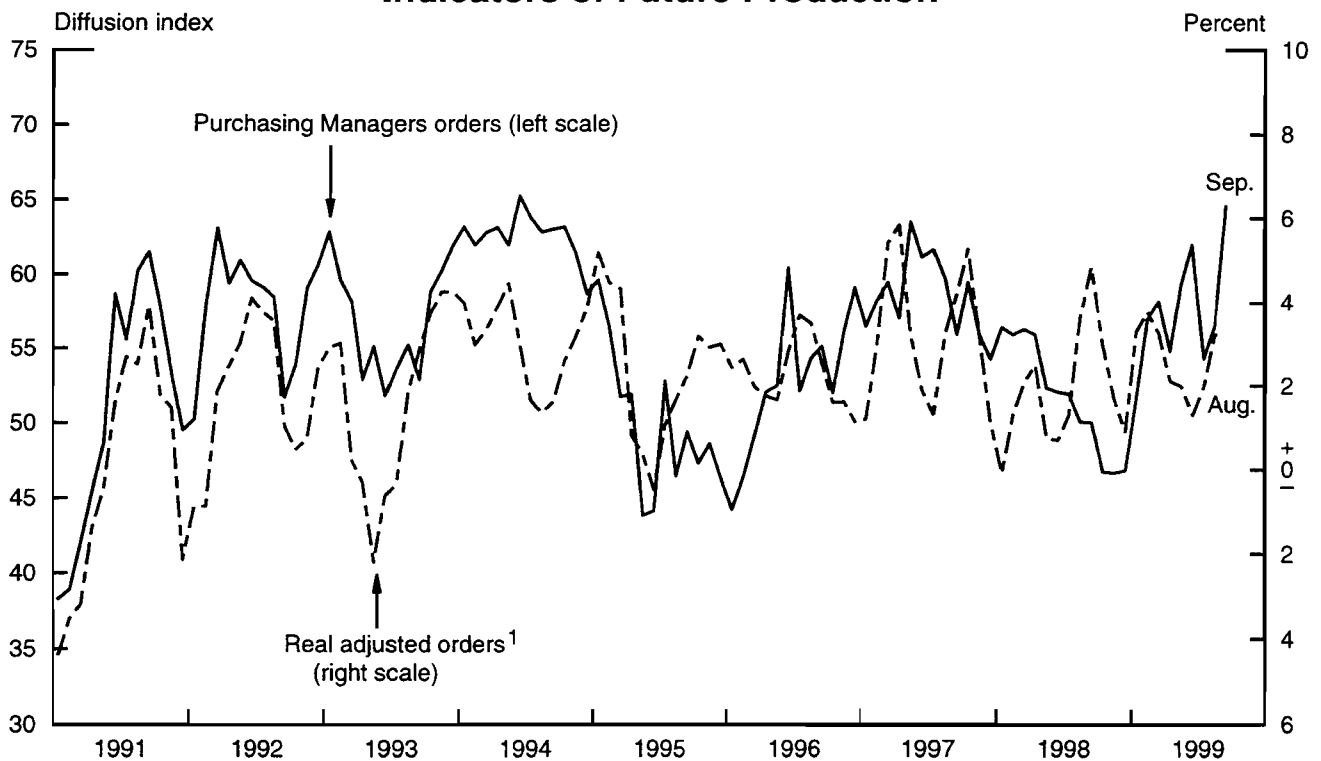
Component	Share, 1999:H1	1999				
		Q1	Q2	June	July	Aug.
Total durable goods	100.0	3.8	-1.1	0.2	4.0	0.9
Adjusted durable goods <sup>1</sup>	69.0	2.0	0.5	-0.5	5.5	0.2
Computers	6.0	-0.5	3.6	-2.9	17.7	-6.6
Nondefense capital goods excluding aircraft and computers	18.0	4.4	-1.2	-3.4	6.7	1.3
Other	46.0	1.5	0.8	0.9	3.5	0.8
MEMO						
Real adjusted orders <sup>2</sup>	...	3.3	1.3	-0.3	5.7	0.7

1. Orders excluding defense capital goods, nondefense aircraft, and motor vehicle parts.

2. Nominal adjusted durable goods orders were split into three components: computers, electronic components, and all other. The components were deflated and then aggregated in a chain-weighted fashion.

.. Not applicable.

### Indicators of Future Production



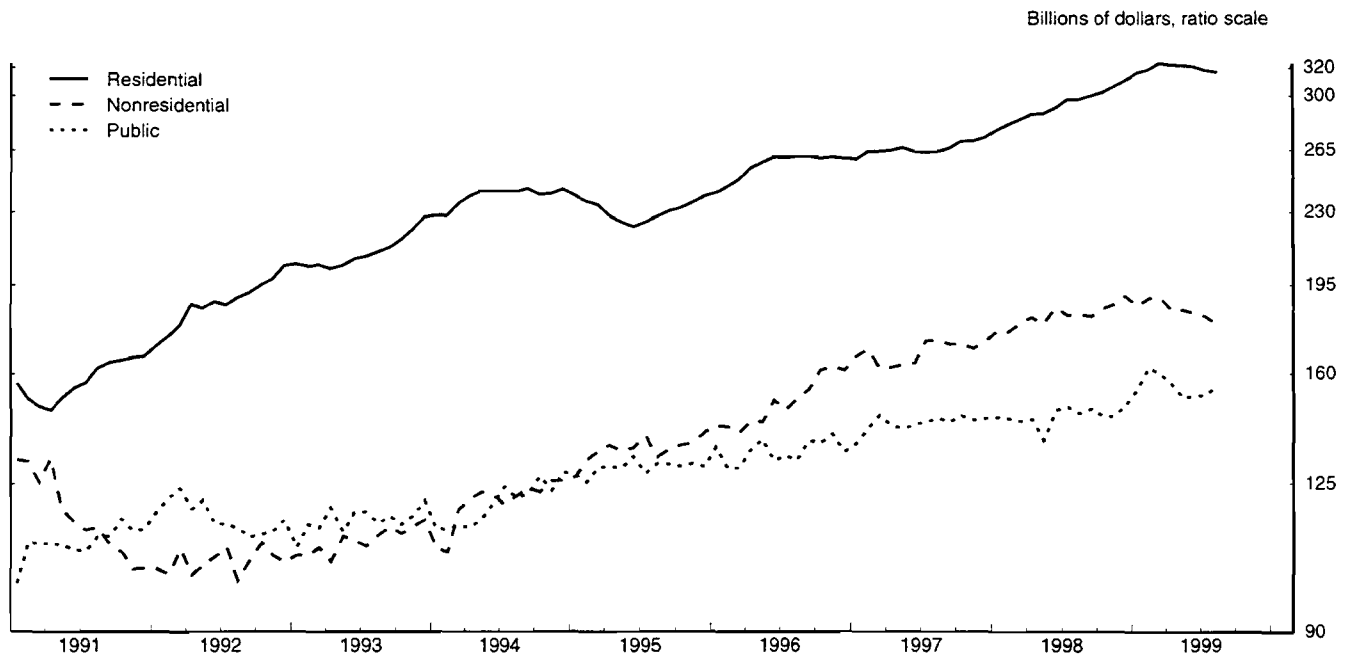
1. Three-month percentage change of three-month moving average.

**New Construction Put in Place**

	Billions of dollars, seasonally adjusted annual rates						Percent change from prior month <sup>3</sup>	
	1999						July	Aug.
	Q1	Q2 <sup>r</sup>	June <sup>r</sup>	July <sup>P</sup>	July <sup>r</sup>	Aug. <sup>P</sup>		
<b>Current dollars</b>								
Total	708.0	700.6	698.9	695.7	694.8	692.0	-0.6	-0.4
Private	549.2	547.2	546.9	545.0	542.3	536.2	-0.8	-1.1
Residential <sup>1</sup>	319.1	321.6	320.9	319.0	318.1	316.7	-0.9	-0.4
Single family	210.5	212.3	211.4	209.7	210.2	208.8	-0.6	-0.7
Multifamily	27.8	27.6	27.1	28.2	26.5	27.1	-2.1	2.3
Nonresidential <sup>1</sup>	188.1	183.9	182.9	183.6	181.5	178.2	-0.8	-1.8
Industrial	29.3	25.6	25.5	24.6	24.5	23.4	-3.6	-4.8
Office	46.3	46.7	47.3	48.7	47.9	49.4	1.3	3.1
Commercial	56.0	56.9	57.2	56.5	55.5	53.4	-2.8	-3.9
Utilities & other <sup>2</sup>	42.0	41.7	43.1	42.4	42.8	41.2	-0.7	-3.5
Public	158.8	153.4	151.9	150.7	152.4	155.8	0.3	2.2
State and local	144.4	140.0	138.4	136.2	138.2	142.4	-0.1	3.0
Federal	14.4	13.4	13.5	14.4	14.2	13.4	5.2	-5.8
<b>1992 dollars</b>								
Total	567.9	554.8	550.2	547.4	545.4	542.4	-0.9	-0.5
Private	438.4	431.6	429.0	427.0	424.1	418.9	-1.2	-1.2
Public	129.6	123.2	121.2	120.5	121.3	123.5	0.1	1.8

1. Contains components not shown separately.
  2. Includes public utilities and all other private construction.
  3. Percent changes calculated from more digits than shown in table.
- r--revised.  
p--preliminary.

**Value of New Construction Put in Place**  
(Seasonally adjusted annual rate)



**Selected Financial Market Quotations**

(One-day quotes in percent except as noted)

Instrument	1998		1999		Change to Sept. 29 from selected dates (percentage points)		
	Oct. 15	Dec. 31	FOMC* Aug. 24	Sept. 29	Oct. 15	Dec. 31	FOMC* Aug. 24
<i>Short-term</i>							
FOMC intended federal funds rate	5.00	4.75	5.00	5.25	.25	.50	.25
Treasury bills <sup>1</sup>							
3-month	4.05	4.37	4.78	4.69	.64	.32	-.09
6-month	4.12	4.39	4.94	4.78	.66	.39	-.16
1-year	4.06	4.33	4.93	4.97	.91	.64	.04
Commercial paper							
1-month	5.27	4.90	5.20	5.29	.02	.39	.09
3-month	5.13	4.84	5.30	5.29	.16	.45	-.01
Large negotiable CDs <sup>1</sup>							
1-month	5.35	5.01	5.31	5.34	-.01	.33	.03
3-month	5.31	4.97	5.43	6.02	.71	1.05	.59
6-month	5.10	4.97	5.86	5.90	.80	.93	.04
Eurodollar deposits <sup>2</sup>							
1-month	5.34	4.94	5.25	5.31	-.03	.37	.06
3-month	5.28	4.94	5.38	5.94	.66	1.00	.56
Bank prime rate	8.25	7.75	8.00	8.25	.00	.50	.25
<i>Intermediate- and long-term</i>							
U.S. Treasury (constant maturity)							
2-year	4.13	4.54	5.66	5.68	1.55	1.14	.02
10-year	4.58	4.65	5.89	5.97	1.39	1.32	.08
30-year	5.02	5.09	5.98	6.13	1.11	1.04	.15
U.S. Treasury 10-year indexed note	3.69	3.88	4.02	4.07	.38	.19	.05
Municipal revenue (Bond Buyer) <sup>3</sup>	5.21	5.26	5.86	5.93	.72	.67	.07
Corporate bonds, Moody's seasoned Baa	7.26	7.23	8.10	8.28	1.02	1.05	.18
High-yield corporate <sup>4</sup>	11.28	10.17	10.91	11.23	-.05	1.06	.32
Home mortgages (FHLMC survey rate) <sup>5</sup>							
30-year fixed	6.49	6.77	7.93	7.76	1.27	.99	-.17
1-year adjustable	5.36	5.58	6.18	6.19	.83	.61	.01

Stock exchange index	Record high		1998	1999		Change to Sept. 29 from selected dates (percent)		
	Level	Date	Dec. 31	FOMC* Aug. 24	Sept. 29	Record high	Dec. 31	FOMC* Aug. 24
Dow-Jones Industrial	11,326.04	8-25-99	9,181.43	11,299.76	10,213.48	-9.82	11.24	-9.61
S&P 500 Composite	1,418.78	7-16-99	1,229.23	1,360.22	1,268.37	-10.60	3.18	-6.75
Nasdaq (OTC)	2,887.06	9-10-99	2,192.69	2,719.57	2,730.27	-5.43	24.52	.39
Russell 2000	491.41	4-21-98	421.96	437.25	421.52	-14.22	-.10	-3.60
Wilshire 5000	12,976.99	7-16-99	11,317.59	12,367.22	11,607.90	-10.55	2.57	-6.14

1. Secondary market.

2. Bid rates for Eurodollar deposits collected around 9:30 a.m. Eastern time.

3. Most recent Thursday quote.

4. Merrill Lynch 175 high-yield bond index composite.

5. For week ending Friday previous to date shown.

\* Data are as of the close on August 23, 1999.



**Commercial Bank Credit**  
(Percent change; seasonally adjusted annual rate)

Type of credit	1998	1999					Level, Sep 1999 p (billions of \$)
		Q2	Q3 p	Jul	Aug	Sep p	
1. Bank credit: Reported	11.0	0.3	5.1	-0.7	9.8	6	4,606
2.           Adjusted <sup>1</sup>	10.2	2.2	5.7	1.0	9.5	5	4,522
3. Securities: Reported	14.0	-2.9	14.6	17.6	16.1	8	1,250
4.           Adjusted <sup>1</sup>	11.1	4.6	17.6	25.7	15.3	3	1,165
5.   U.S. government	5.9	4.1	5.9	1.9	8.4	-6	816
6.   Other <sup>2</sup>	32.3	-16.6	32.6	49.9	31.6	36	434
7. Loans <sup>3</sup>	9.9	1.4	1.7	-7.4	7.5	6	3,356
8.   Business	11.8	2.6	5.5	2.0	10.2	13	983
9.   Real estate	6.5	3.6	5.9	1.3	11.3	8	1,390
10.   Home equity	0.0	6.7	-20.1	-67.1	7.4	9	99
11.   Other	7.1	3.3	8.0	6.9	11.6	8	1,291
12. Consumer: Reported	-1.6	-2.9	-10.4	-22.5	-0.7	6	484
13.           Adjusted <sup>4</sup>	6.0	1.1	4.6	3.6	7.9	13	772
14.   Other <sup>5</sup>	30.0	-2.0	-4.8	-33.4	0.0	-16	500

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.

p Preliminary.