

Prefatory Note

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September 12, 2008

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Supplemental Notes

Prepared for the Federal Open Market Committee
by the staff of the Board of Governors of the Federal Reserve System

Contents

The Domestic Nonfinancial Economy	1
Retail Sales.....	1
Consumer Sentiment.....	1
Business Inventories	1
Federal Government Budget.....	5
Producer Prices	5
 <i>Exhibits</i>	
Retail Sales.....	2
Reuters/University of Michigan Survey of Consumer Attitudes.....	3
Nonfarm Inventory Investment.....	4
Recent Federal Outlays and Receipts	6
Recent Changes in Producer Price Indexes	7
 The Domestic Financial Economy	 8
 <i>Exhibits</i>	
Commercial Bank Credit	8
Selected Financial Market Quotations	9
 The International Economy	 10
Trade in Goods and Services	11
Prices of Internationally Traded Goods	13
 <i>Exhibits</i>	
Trade in Goods and Services	11
U.S. International Trade in Goods and Services (chart).....	11
U.S. Exports and Imports of Goods and Services.....	12
Prices of U.S. Imports and Exports (chart).....	14
Prices of U.S. Imports and Exports (table)	15

Supplemental Notes

The Domestic Nonfinancial Economy

Retail Sales

Total nominal retail sales decreased 0.3 percent in August; sales in the retail control group of stores fell 0.5 percent following gains in June and July that were revised down. Although a drop in gasoline prices contributed to the decrease in nominal retail control spending in August, sales fell back in a number of other categories, especially nonstore retailers and electronics and appliance stores. Given our projection for consumer prices, this nominal decline would appear to translate into a further decrease in real PCE control, albeit not as large as the declines in June and July. Among outlets excluded from the retail control, sales at building material and supply stores declined last month, but sales at motor vehicles and parts dealers increased.

Consumer Sentiment

The early September reading for the Reuters/University of Michigan index of consumer attitudes jumped sharply from the low levels recorded over the past several months, and inflation expectations fell; declines in gasoline prices likely contributed to both movements. This month's preliminary sentiment figure reflected large increases in nearly all of the components, especially those included in the expected conditions sub-index. Among those items not included in the overall index, consumers' expectations about the change in unemployment over the next twelve months improved noticeably and stood at its lowest level in nearly a year. Households' appraisals of buying conditions for cars strengthened, apparently in response to the introduction of incentive programs, but respondents' attitudes toward purchases of homes worsened. The median of expected inflation over the next twelve months dropped more than a percentage point, to 3.6 percent, and the median of expected inflation over the next 5 to 10 years moved down to 2.9 percent, about the same as its average over the past five years.

Business Inventories

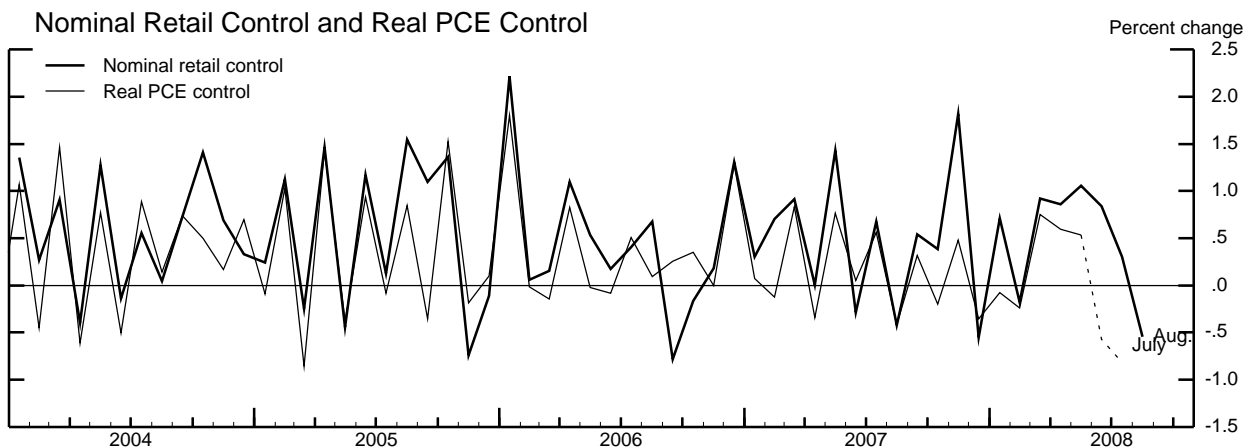
The book value of retail inventories, excluding motor vehicles and parts, rose at a solid pace in July. Combined with the inventory figures for manufacturing and wholesale trade, book-value inventories in the entire manufacturing and trade sector, excluding motor vehicles and parts, rose at an annual rate of \$124 billion in July, a modest step-up from the second-quarter accumulation. However, because changes in book-value inventories can be heavily influenced by price changes that lead to revaluation of existing stocks, these book-value data can differ substantially from real inventory changes. The

September 12, 2008

Retail Sales
(Percent change; seasonally adjusted)

	Share ¹	2007	2008		2008		
		Q4	Q1	Q2	June	July	Aug.
Total retail trade and food services	100.0	.9	.2	.9	.1	-.5	-.3
Previous estimate			.0	1.0	.3	-.1	
Auto and other motor vehicle dealers	16.0	-1.2	-2.6	-6.1	-3.0	-4.6	2.0
Building material and supply stores	7.2	-1.7	-2.4	3.0	-.6	.3	-2.2
Retail control	76.8	1.6	1.1	2.4	.8	.3	-.5
Previous estimate			.9	2.5	1.0	.4	
General merchandise	13.3	.4	1.0	2.4	.4	.2	-.2
Food and beverage stores	13.1	1.5	1.3	1.7	1.1	.4	.7
Food services	10.1	.9	.3	1.8	.2	.4	.2
Gasoline stations	11.6	9.3	4.3	5.1	3.2	.2	-2.5
Nonstore retailers ²	7.0	1.1	.6	4.2	.5	.8	-2.3
Health & personal care	5.4	-.1	1.2	1.3	.8	.1	.2
Clothing and accessories	5.0	-.9	.8	1.1	-.1	.4	-.3
Furniture and home furnishing	2.4	-2.3	-2.1	-.7	-2.0	-.4	.0
Electronics and appliances	2.5	1.9	-.8	2.3	-1.1	.0	-1.3
Auto parts, acc. and tire stores	1.7	1.4	-1.2	2.2	.8	-1.5	.9
Other retailers ³	4.6	-1.5	.3	1.3	1.3	.8	-.4
Other aggregates of retail sales:							
Total excluding motor vehicles and parts	82.3	1.3	.9	2.5	.7	.3	-.7
Retail control ex. gasoline station sales	65.2	.5	.6	1.9	.4	.3	-.2
Previous estimate			.2	2.0	.5	.3	
Memo: Real PCE control⁴		.1	-.1	1.2	-.6	-.8	n.a.
Previous estimate				1.2	-.4	-.8	

1. Share of total retail trade and food services for August.
 2. Includes electronic shopping and mail order houses, direct selling establishments, and vending machine operators.
 3. Includes miscellaneous retailers and sporting goods, hobby, book, and music stores.
 4. PCE control is a BEA measure and has approximately the same coverage as retail control. Revisions to real PCE control are a staff translation based on the revisions to retail control.
- Source: Census Bureau.



Note. Real PCE control estimates for June and July 2008 are a staff translation based on the revisions to retail control.
Source: Census Bureau.

September 12, 2008

Reuters/University of Michigan Survey of Consumers
Indexes of consumer sentiment
 (Not seasonally adjusted)

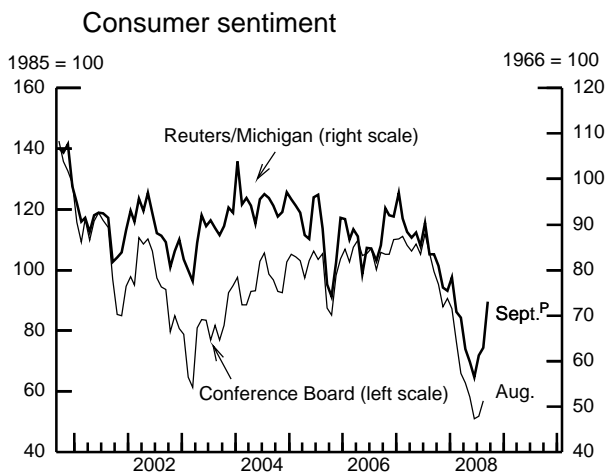
Category	2008							
	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept. ^P
Composite of current and expected conditions ¹	70.8	69.5	62.6	59.8	56.4	61.2	63.0	73.1
Current conditions ¹	83.8	84.2	77.0	73.3	67.6	73.1	71.0	76.5
Expected conditions ¹	62.4	60.1	53.3	51.1	49.2	53.5	57.9	70.9
Personal financial situation								
Now compared with 12 months ago ²	94	93	86	80	69	73	72	87
Expected in 12 months ²	112	112	100	98	96	105	105	123
Expected business conditions								
Next 12 months ²	54	46	40	36	38	42	52	75
Next 5 years ²	83	81	71	68	59	65	72	86
Appraisal of buying conditions								
Cars	119	114	110	96	91	103	103	114
Large household appliances ²	123	124	112	109	104	115	110	110
Houses	140	129	136	130	133	138	146	137
Expected unemployment change - next 12 months	141	148	154	153	159	154	150	137
Prob. household will lose a job - next 5 years	24	22	23	22	25	20	22	19
Expected inflation - next 12 months								
Mean	3.9	4.6	5.7	7.0	6.5	6.3	5.3	3.9
Median	3.6	4.3	4.8	5.2	5.1	5.1	4.8	3.6
Expected inflation - next 5 to 10 years								
Mean	3.4	3.2	3.5	4.0	4.0	3.5	3.9	3.1
Median	3.0	2.9	3.2	3.4	3.4	3.2	3.2	2.9

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.

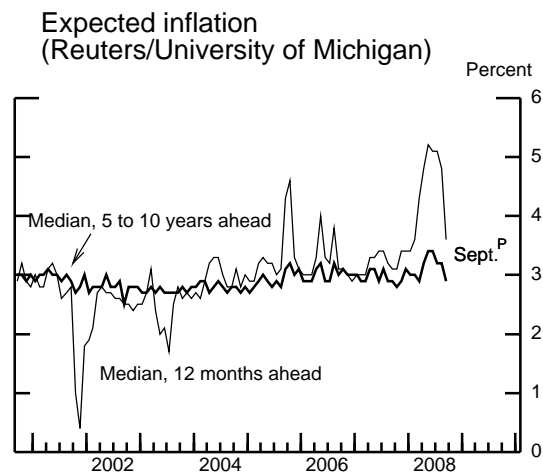
P Preliminary.

1. Feb. 1966 = 100.

2. Indicates the question is one of the five equally-weighted components of the index of sentiment.



P Preliminary.



P Preliminary.

Nonfarm Inventory Investment
(Billions of dollars; seasonally adjusted annual rate)

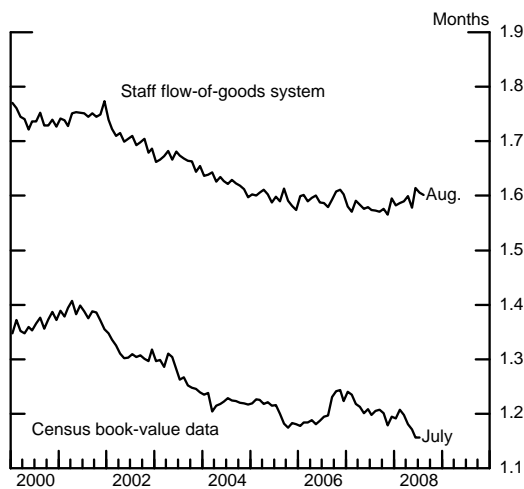
Measure and sector	2007	2008				
	Q4	Q1	Q2	May	June	July
<i>Real inventory investment (chained 2000 dollars)</i>						
Total nonfarm business	-20.6	-17.9	-52.9	n.a.	n.a.	n.a.
Motor vehicles	-21.3	-15.3	-10.2	n.a.	n.a.	n.a.
Nonfarm ex. motor vehicles	.7	-2.6	-42.7	n.a.	n.a.	n.a.
Manufacturing and trade ex. wholesale and retail motor vehicles and parts						
Manufacturing	2.9	13.7	-24.5	-23.5	-7.5 ^e	n.a.
Wholesale trade ex. motor vehicles & parts	-3.3	.0	4.9	2.2	4.1 ^e	n.a.
Retail trade ex. motor vehicles & parts	6.5	-8.2	-2.9	-14.9	-9.4 ^e	n.a.
<i>Book-value inventory investment (current dollars)</i>						
Manufacturing and trade ex. wholesale and retail motor vehicles and parts	70.4	95.8	97.5	78.1	136.2	124.4
Manufacturing	34.7	60.5	39.3	38.3	81.6	31.0
Wholesale trade ex. motor vehicles & parts	23.0	39.0	48.5	45.9	42.8	62.1
Retail trade ex. motor vehicles & parts	12.7	-3.7	9.6	-6.1	11.8	31.3

n.a. Not available.

^e Staff estimate of real inventory investment based on revised book-value data.

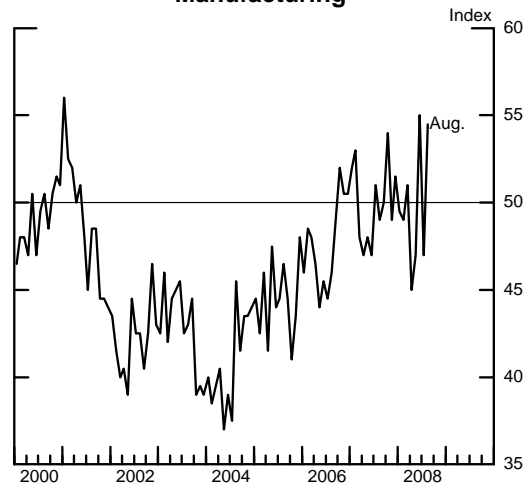
Source. For real inventory investment, BEA; for book-value data, Census Bureau.

Inventory Ratios ex. Motor Vehicles



Note. Flow-of-goods system covers total industry ex. motor vehicles and parts, and inventories are relative to consumption. Census data cover manufacturing and trade ex. motor vehicles and parts, and inventories are relative to sales.

ISM Customers' Inventories: Manufacturing



Note. A number above 50 indicates inventories are "too high."
Source. Manufacturing ISM Report on Business.

ratio of book-value inventories to sales (excluding motor vehicles) held steady at 1.16 in July.

Federal Government Budget

According to the Monthly Treasury Statement, the federal government recorded a deficit (adjusted for routine payment timing shifts and financial transactions) in August of \$91 billion—wider than in the same month last year and a little above our expectation. The adjusted deficit for the 12 months ending in August was \$403 billion, more than \$210 billion larger than it was in the same year-earlier period.

Receipts in August were almost 6 percent below their level a year earlier, probably reflecting the slowing pace of economic activity. Individual income and payroll tax revenues, which made up the bulk of receipts in August, were 4 percent below their year-earlier level. The small amount of corporate tax payments typically made in August was also lower than its level a year earlier.

Outlays in August were up 5 percent from their year-earlier level, which left the cumulative increase in spending for the 12 months ending in August a little slower than the brisk pace in the preceding 12 months. Defense spending in August was almost 7 percent above its year-earlier level and was in line with the staff's expectation.

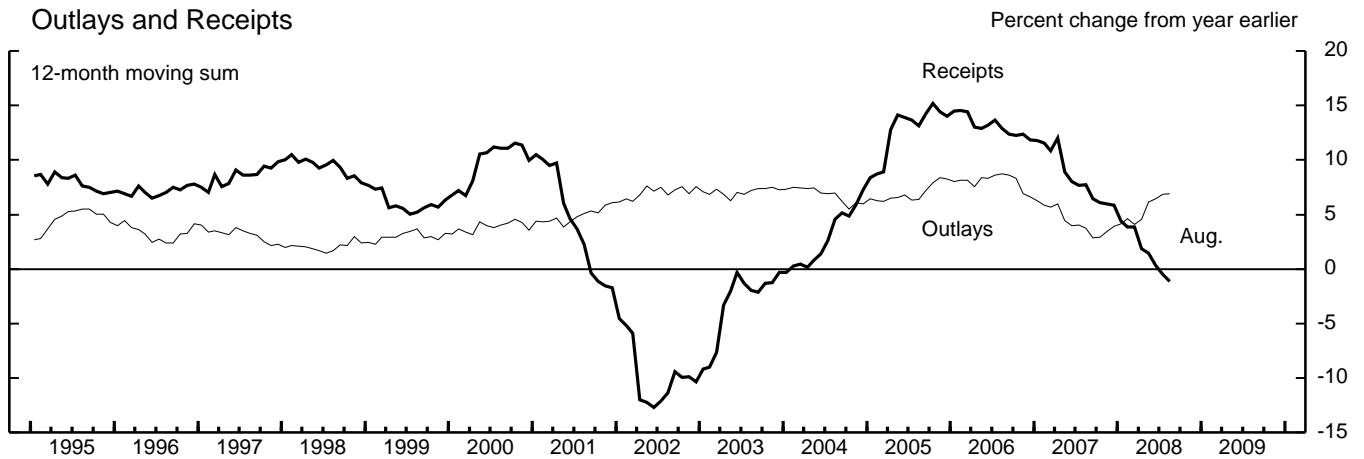
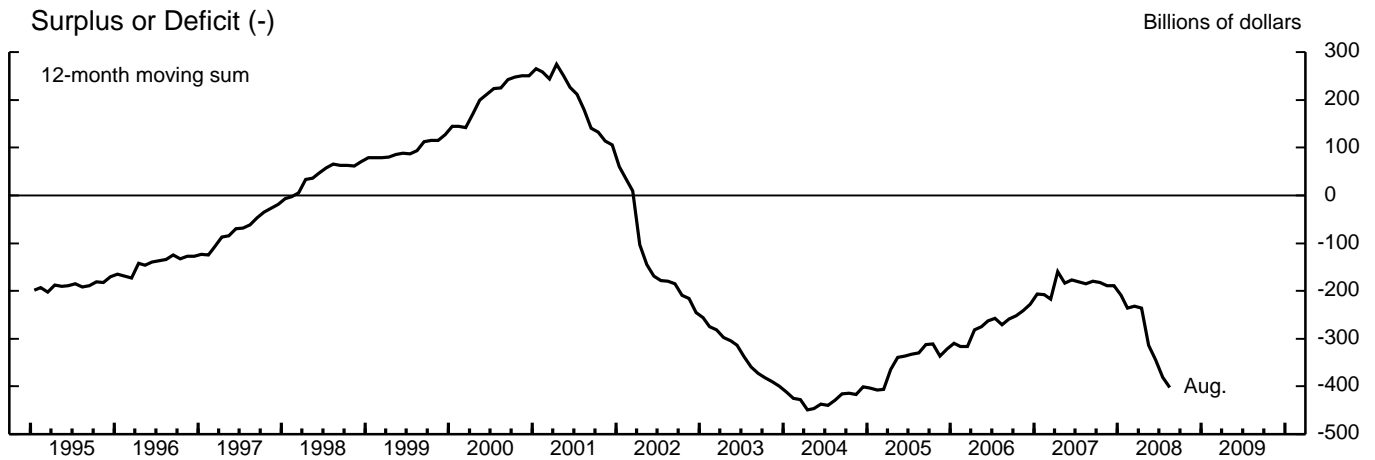
Producer Prices

The producer price index for finished goods declined 0.9 percent in August reflecting a sizable drop in energy prices. The PPI for finished food rose 0.3 percent, and excluding food and energy, the PPI for finished goods rose a modest 0.2 percent last month. However, prices for capital goods other than motor vehicles and high-tech equipment posted another large increase. In addition, cost pressures continued to be evident at earlier stages of processing. The PPI for intermediate materials excluding food and energy rose 1.7 percent in August following increases of 1.2 percent and 2 percent in June and July, respectively. Last month's price increases were again concentrated in chemicals, plastics, and other energy-intensive materials.

The Domestic Financial Economy

Federal Government Budget

(Unified basis; adjusted for payment-timing shifts and financial transactions; data from Monthly Treasury Statement)



Recent Federal Outlays and Receipts

(Billions of dollars except as noted)

Function or source	August			12 months ending in August		
	2007	2008	Percent change	2007	2008	Percent change
Outlays	235.8	247.8	5.1	2,750.3	2,939.4	6.9
Net interest	22.8	25.1	10.2	238.0	247.9	4.2
National defense	48.9	52.1	6.7	557.7	615.2	10.3
Major transfers ¹	124.2	134.3	8.1	1,509.1	1,633.9	8.3
Other	39.9	36.2	-9.3	445.5	442.4	-.7
Receipts	166.5	157.0	-5.7	2,565.6	2,536.8	-1.1
Individual income and payroll taxes	141.1	135.3	-4.1	1,975.5	1,985.7	.5
Corporate income taxes	4.3	3.9	-9.7	379.4	327.4	-13.7
Other	21.1	17.8	-15.7	210.7	223.7	6.1
Surplus or deficit (-)	-69.2	-90.8	...	-184.6	-402.7	...
Memo:						
Unadjusted surplus or deficit (-)	-117.0	-111.9	...	-218.2	-370.5	...

1. Includes Social Security, Medicare, Medicaid, and income security programs.

... Not applicable.

September 12, 2008

Recent Changes in Producer Price Indexes
(Percent change)

Product	Weights ¹	12-month change ²		3-month change		2008			
		Aug. 2007	Aug. 2008	May 2008	Aug. 2008	May	June	July	Aug.
				Annual rate		Monthly rate			
PPI finished goods	100.0	2.3	9.6	10.8	8.6	1.4	1.8	1.2	-9
Food	21.3	5.1	9.1	8.5	8.8	.7	1.5	.3	.3
Energy	21.7	.4	27.4	32.6	18.1	4.8	6.0	3.1	-4.6
Gasoline	7.4	-5.1	43.1	23.9	21.3	9.3	9.0	-.2	-3.5
Fuel oil	1.0	-6.4	64.1	118.0	3.1	8.0	12.4	3.7	-13.6
Residential natural gas	3.0	-.2	25.4	70.6	47.2	4.0	6.6	8.8	-5.0
Residential electricity	7.4	3.4	6.2	11.9	11.8	.8	.8	2.0	.1
Other energy	2.9	-2.3	45.1	49.8	2.9	3.1	7.5	7.2	-12.6
Finished goods ex. food and energy	57.0	2.2	3.6	3.9	4.6	.3	.2	.7	.2
Consumer goods ex. food and energy	35.3	2.5	3.9	4.2	4.6	.4	.3	.6	.2
Nondurables ex. food and energy	21.2	3.2	5.6	6.0	6.0	.8	.3	.6	.6
Apparel	1.5	.8	1.3	1.9	2.4	.0	-1.	.3	.4
Tobacco products	3.4	6.1	4.8	9.9	.3	2.3	.0	.0	.1
Other nondurables	16.3	3.3	6.2	5.7	7.5	.5	.4	.7	.7
Durables	14.1	1.6	2.0	1.7	3.2	-.1	.3	.6	-.1
Passenger cars	2.1	.7	2.7	-3.1	14.0	-1.3	2.2	1.4	-3
Light trucks	3.0	3.1	-2.8	-.3	-11.0	-.7	-1.8	.8	-1.9
Other durables	9.1	1.5	3.2	3.6	5.6	.3	.5	.4	.4
Capital equipment	21.7	1.8	3.2	2.9	4.8	.1	.3	.8	.1
Passenger cars	1.3	.7	2.7	-3.1	14.0	-1.3	2.2	1.4	-.3
Light trucks	2.3	3.1	-2.8	-.3	-11.0	-.7	-1.8	.8	-1.9
Heavy trucks	.9	5.3	2.3	1.3	2.7	.1	-.1	.9	-.2
Computers	.1	-23.7	-17.1	-17.2	-11.1	.2	-.2	-1.5	-1.2
Communication equipment	1.6	.4	2.1	1.2	1.5	.3	-.2	.5	.1
Other capital equipment	15.5	2.5	4.4	4.3	7.1	.4	.5	.8	.5
Memo:									
Physicians ³	n.a.	3.7	1.0	.9	1.8	.2	.0	.1	.3
Hospitals ³	n.a.	2.9	3.2	3.1	2.4	.2	.2	.2	.2
Applications software	n.a.	.1	1.5	4.6	-1.6	.6	.1	.2	-.7
Intermediate materials ex. food and energy	72.7	1.6	12.5	17.9	21.7	1.5	1.3	2.0	1.7
Materials for nondurable manufacturing	15.2	3.9	31.8	28.2	68.3	2.4	2.7	5.4	5.2
Materials for durable manufacturing	8.6	2.7	14.8	46.7	15.1	3.5	1.7	1.5	.4
Components for manufacturing	15.1	.6	4.1	4.4	8.3	.5	.4	1.1	.5
Other intermediate materials	33.7	.7	7.4	12.9	10.5	1.0	.8	.9	.7
Crude food materials	32.8	23.9	15.3	9.7	-7.1	.6	3.5	.1	-5.2
Crude energy	50.9	-7.7	59.1	216.2	-32.1	12.5	5.4	6.9	-19.4
Other crude materials	16.4	13.5	33.2	89.5	5.2	2.7	-.2	3.4	-1.9

1. Relative importance weights for December 2007, which are based on 2002 shipment levels.

2. Not seasonally adjusted.

3. Seasonally adjusted by FRB staff.

Source: Bureau of Labor Statistics.

Commercial Bank Credit

(Percent change, annual rate, except as noted; seasonally adjusted)

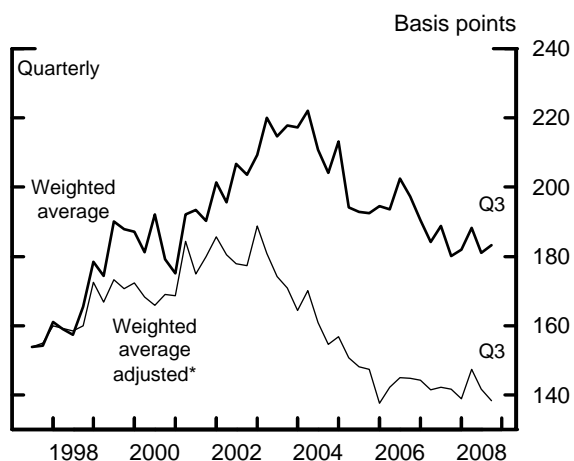
Type of credit	H1 2007	H2 2007	Q1 2008	Q2 2008	July 2008	Aug. 2008	Level ¹ Aug. 2008
Total	6.2	11.3	6.0	3.6	1.9	5.3	9,060
<i>Loans²</i>							
Total	7.2	11.5	9.5	4.4	.9	5.4	6,848
To businesses							
Commercial and industrial	6.9	26.2	15.5	13.0	5.8	-.1	1,511
Commercial real estate	6.2	10.3	9.9	10.2	-9.2	4.7	1,657
To households							
Residential real estate	8.8	-1.1	3.4	3.3	-5.6	9.3	1,856
Revolving home equity	3.0	6.5	11.5	16.1	12.1	6.0	522
Other	10.7	-3.7	.7	-1.3	-12.3	10.4	1,335
Consumer	2.9	10.8	8.8	6.0	11.0	8.3	842
Originated ³	3.1	9.2	8.2	6.9	5.9	2.2	1,251
Other ⁴	9.6	19.9	12.1	-16.2	14.3	5.6	982
<i>Securities</i>							
Total	3.3	10.7	-4.2	.9	4.9	5.0	2,212
Treasury and agency	-5.0	-4.3	-11.2	8.4	15.4	42.8	1,187
Other ⁵	14.5	28.9	3.0	-6.6	-6.2	-36.1	1,025

Note. Yearly annual rates are Q4 to Q4; quarterly and monthly annual rates use corresponding average levels. Data have been adjusted to remove the effects of mark-to-market accounting rules (FIN 39 and FAS 115), the initial consolidation of certain variable interest entities (FIN 46), the initial adoption of fair value accounting (FAS 159), and the effects of sizable thrift-to-bank and bank-to-thrift structure activity in October 2006, March 2007, and October 2007. Data also account for breaks caused by reclassifications.

1. Billions of dollars. Pro rata averages of weekly (Wednesday) levels.
2. Excludes interbank loans.
3. Includes an estimate of outstanding loans securitized by commercial banks.
4. Includes security loans and loans to farmers, state and local governments, and all others not elsewhere classified. Also includes lease financing receivables.
5. Includes private mortgage-backed securities; securities of corporations, state and local governments, and foreign governments; and any trading account assets that are not Treasury or agency securities.

Source. Federal Reserve.

C&I Loan Rate Spreads

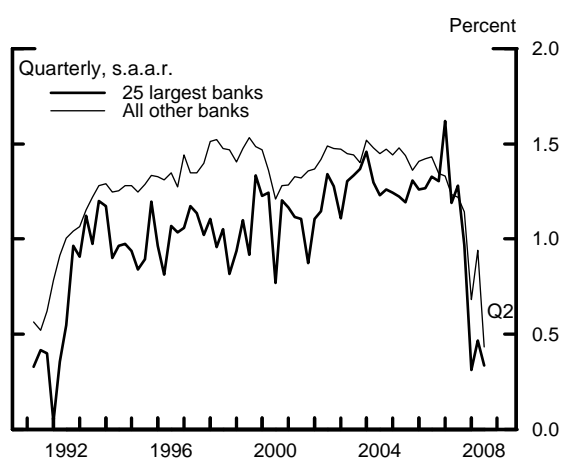


Note. Spreads over market interest rate on an instrument of comparable maturity on loans less than \$25 million (2006\$).

*Adjusted for changes in nonprice loan characteristics.

Source. Survey of Terms of Business Lending.

Return on Assets at Commercial Banks



Source. Call Report.

III-T-1
Selected Financial Market Quotations
(One-day quotes in percent except as noted)

Instrument	2007	2008			Change to Sept. 11 from selected dates (percentage points)		
	Aug. 6	June 24	Aug. 4	Sept. 11	2007 Aug. 6	2008 June 24	2008 Aug. 4
<i>Short-term</i>							
FOMC intended federal funds rate	5.25	2.00	2.00	2.00	-3.25	.00	.00
Treasury bills ¹							
3-month	4.74	1.80	1.72	1.58	-3.16	-.22	-.14
6-month	4.72	2.20	1.93	1.81	-2.91	-.39	-.12
Commercial paper (A1/P1 rates) ²							
1-month	5.26	2.36	2.41	2.30	-2.96	-.06	-.11
3-month	5.29	2.78	2.72	2.67	-2.62	-.11	-.05
Large negotiable CDs ¹							
3-month	5.34	2.80	2.80	2.80	-2.54	.00	.00
6-month	5.27	3.17	3.10	3.08	-2.19	-.09	-.02
Eurodollar deposits ³							
1-month	5.33	2.70	2.60	2.60	-2.73	-.10	.00
3-month	5.35	3.00	3.00	3.00	-2.35	.00	.00
Bank prime rate	8.25	5.00	5.00	5.00	-3.25	.00	.00
<i>Intermediate- and long-term</i>							
U.S. Treasury ⁴							
2-year	4.49	2.80	2.49	2.17	-2.32	-.63	-.32
5-year	4.52	3.55	3.25	2.86	-1.66	-.69	-.39
10-year	4.82	4.29	4.15	3.81	-1.01	-.48	-.34
U.S. Treasury indexed notes ⁵							
5-year	2.43	1.10	1.15	1.25	-1.18	.15	.10
10-year	2.48	1.76	1.71	1.66	-.82	-.10	-.05
Municipal general obligations (Bond Buyer) ⁶	4.51	4.76	4.74	4.54	.03	-.22	-.20
Private instruments							
10-year swap	5.44	4.84	4.66	4.22	-1.22	-.62	-.44
10-year FNMA ⁷	5.34	4.98	4.82	4.28	-1.06	-.70	-.54
10-year AA ⁸	6.12	6.54	6.62	6.48	.36	-.06	-.14
10-year BBB ⁸	6.57	7.00	7.17	7.10	.53	.10	-.07
10-year high yield ⁸	9.21	10.13	10.57	10.63	1.42	.50	.06
Home mortgages (FHLMC survey rate)							
30-year fixed	6.59	6.45	6.52	5.93	-.66	-.52	-.59
1-year adjustable	5.65	5.27	5.22	5.21	-.44	-.06	-.01

Stock exchange index	Record high		2008			Change to Sept. 11 from selected dates (percent)		
	Level	Date	June 24	Aug. 4	Sept. 11	Record high	2008 June 24	2008 Aug. 4
Dow Jones Industrial	14,165	10-9-07	11,807	11,284	11,434	-19.28	-3.17	1.33
S&P 500 Composite	1,565	10-9-07	1,314	1,249	1,249	-20.20	-4.96	.00
Nasdaq	5,049	3-10-00	2,368	2,286	2,258	-55.27	-4.65	-1.20
Russell 2000	856	7-13-07	708	704	719	-15.98	1.57	2.11
Wilshire 5000	15,807	10-9-07	13,421	12,738	12,716	-19.56	-5.26	-1.18

1. Secondary market.
2. Financial commercial paper.
3. Bid rates for Eurodollar deposits collected around 9:30 a.m. eastern time.
4. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
5. Derived from a smoothed Treasury yield curve estimated using all outstanding securities and adjusted for the carry effect.
6. Most recent Thursday quote.
7. Constant-maturity yields estimated from Fannie Mae domestic noncallable coupon securities.
8. Derived from smoothed corporate yield curves estimated using Merrill Lynch bond data.

NOTES:

August 6, 2007, is the day before the August 2007 FOMC meeting.
June 24, 2008, is the day before the June 2008 FOMC monetary policy announcement.
August 4, 2008, is the day before the most recent FOMC monetary policy announcement.

The International Economy

Trade in Goods and Services

The U.S. international trade deficit widened to \$62.2 billion in July, as a large increase in imports of goods and services more than offset a strong increase in exports.

Trade in Goods and Services

	2007	Annual rate			Monthly rate		
		2007	2008		2008		
		Q4	Q1	Q2	May	June	July
Percent change							
<i>Nominal BOP</i>							
Exports	14.5	10.4	15.7	22.2	1.2	3.7	3.3
Imports	9.7	11.4	13.4	18.0	.2	2.1	3.9
<i>Real NIPA</i>							
Exports	8.9	4.4	5.1	13.2	...	...	...
Imports	1.1	-2.3	-.8	-7.6	...	...	...
Billions of dollars							
<i>Nominal BOP</i>							
Net exports	-700.3	-695.1	-708.4	-722.2	-60.2	-58.8	-62.2
Goods, net	-819.4	-835.7	-844.1	-865.3	-72.1	-71.3	-74.9
Services, net	119.1	140.5	135.7	143.1	11.9	12.4	12.7

n.a. Not available. ... Not applicable.

BOP Balance of Payments.

NIPA National Income and Product Accounts.

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

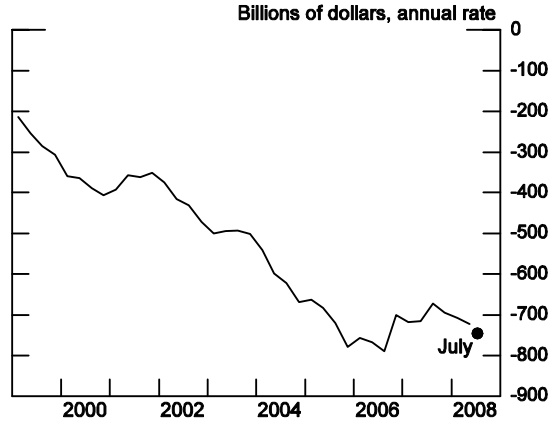
In July, exports rose 3.3 percent, supported by a surge in exports of automotive products. Exports of consumer goods, industrial supplies, capital goods, and services also increased briskly. In contrast, agricultural products fell back after jumping up in June.

The value of imports of goods and services surged 3.9 percent in July, led by a strong increase in imports of oil (both on account of higher volumes as well as an increase in price). Imports of industrial supplies, capital goods, and services also increased. In contrast, imports of automotive products and consumer goods edged down.

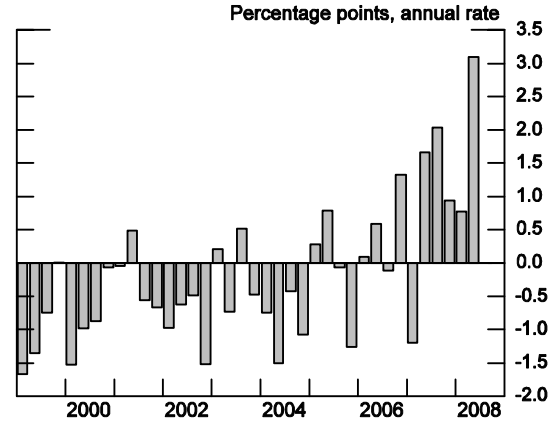
Revisions to previously published data led to a slight downward revision to nominal export growth in first half of the 2008, primarily due to lower exports of services, and a slight upward revision to nominal import growth over the same period.

U.S. International Trade in Goods and Services (Quarterly)

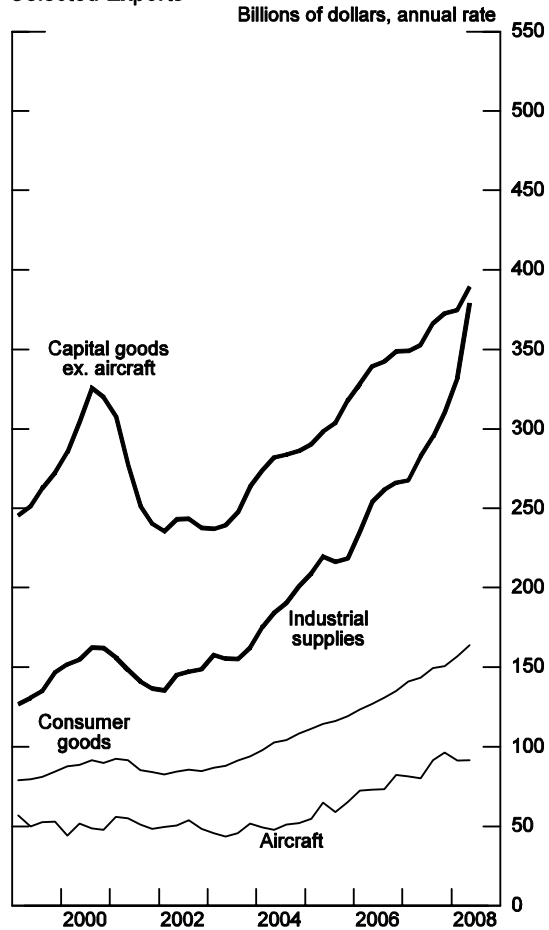
Trade Balance



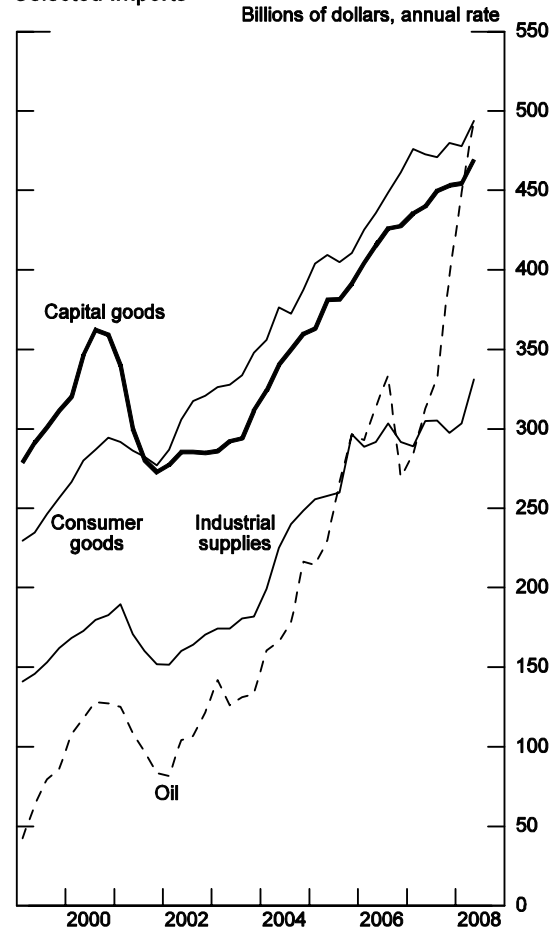
Contribution of Net Exports to
Growth of Real Gross Domestic Product



Selected Exports



Selected Imports



Source. Bureau of Economic Analysis and Census Bureau.

U.S. Exports and Imports of Goods and Services
(Billions of dollars; annual rate, Balance of Payments basis)

	Levels				Change ¹			
	2008		2008		2008		2008	
	Q1	Q2	June	July	Q1	Q2	June	July
Exports of Goods and Services	1806.6	1899.3	1953.5	2017.8	64.7	92.7	70.2	64.3
Goods exports	1271.3	1349.2	1395.1	1449.3	58.5	78.0	63.1	54.3
Gold	24.6	19.0	13.3	22.2	12.6	-5.6	-6.0	8.9
Other goods	1246.6	1330.2	1381.8	1427.1	45.9	83.6	69.1	45.3
Capital goods	466.2	480.6	487.2	498.0	-2.7	14.4	13.9	10.8
Aircraft & parts	91.3	91.3	91.2	94.1	-5.0	.0	-4	2.9
Computers & accessories	43.2	47.2	46.8	50.7	-1.3	3.9	-2	3.9
Semiconductors	52.3	51.3	53.4	53.3	-.9	-1.0	3.1	-.1
Other capital goods	279.3	290.8	295.8	299.9	4.5	11.5	11.4	4.0
Automotive	122.4	124.2	129.5	146.0	-3.4	1.8	6.9	16.4
Ind. supplies (ex. ag., gold)	332.5	379.0	409.8	421.5	22.1	46.4	34.4	11.6
Consumer goods	156.9	163.9	169.6	178.7	6.4	7.0	8.5	9.0
Agricultural	117.8	129.8	135.7	133.4	15.0	12.0	10.7	-2.3
All other goods	50.8	52.7	49.9	49.7	8.4	1.9	31.0	-.2
Services exports	535.3	550.0	558.4	568.5	6.2	14.7	7.2	10.1
Imports of Goods and Services	2515.0	2621.5	2659.5	2764.2	78.0	106.5	53.8	104.7
Goods imports	2115.4	2214.6	2250.3	2347.8	67.0	99.2	53.0	97.5
Oil	448.7	494.5	542.8	617.1	52.6	45.8	76.7	74.3
Gold	17.9	12.6	9.4	13.6	10.9	-5.3	-.2	4.2
Other goods	1648.8	1707.5	1698.1	1717.1	3.6	58.7	-23.5	19.0
Capital goods	454.4	469.3	461.3	468.6	1.3	14.9	-16.1	7.3
Aircraft & parts	37.0	38.1	39.3	35.2	1.9	1.1	3.7	-4.1
Computers & accessories	104.2	109.4	106.3	107.3	-1.2	5.1	-7.4	1.0
Semiconductors	26.3	26.8	25.7	27.0	-.7	.6	-1.7	1.3
Other capital goods	286.9	295.0	290.0	299.0	1.4	8.2	-10.7	9.0
Automotive	257.3	249.9	246.4	245.2	-2.7	-7.4	.7	-1.2
Ind. supplies (ex. oil, gold)	303.6	331.0	331.6	341.3	6.1	27.4	-.9	9.7
Consumer goods	478.2	493.5	496.0	494.8	-1.9	15.2	-6.1	-1.1
Foods, feeds, beverages	85.4	90.1	90.0	90.7	1.7	4.7	-1.7	.7
All other goods	69.9	73.7	72.9	76.6	-1.1	3.8	.6	3.7
Services imports	399.6	406.9	409.2	416.4	11.0	7.3	.8	7.1
Memo:								
Oil quantity (mb/d)	14.06	12.47	12.53	13.55	.59	-1.59	.76	1.02
Oil import price (\$/bbl)	87.59	108.65	118.62	124.69	7.17	21.06	10.18	6.07

1. Change from previous quarter or month.

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

Prices of Internationally Traded Goods

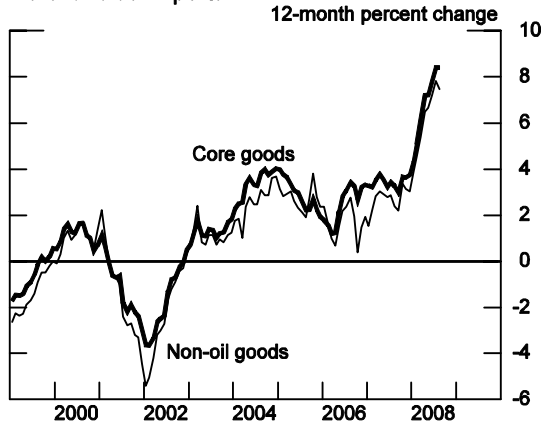
Non-oil imports. In August, prices of core imports rose just 0.2 percent, down sharply from increases near 1 percent in previous months. Much of the deceleration reflected slower rates of increase for prices of material-intensive imports, consistent with the recent easing of many primary commodity prices. Prices of imported finished goods also slowed noticeably in August to a monthly rate of only 0.1 percent. Relative to the second quarter, core import prices for the July-August period were up 6.8 percent at an annual rate, marking a noticeable step-down from the previous two quarters. Price increases for material-intensive goods accounted for the lion's share of the July-August increase, although finished goods prices also contributed.

Oil. The BLS price index for imported oil declined 12.8 percent in August, reflecting the steep fall in spot oil prices since mid-July. The spot price of West Texas intermediate crude oil averaged \$117 per barrel in August and has continued to decline and closed at \$100.68 on September 11.

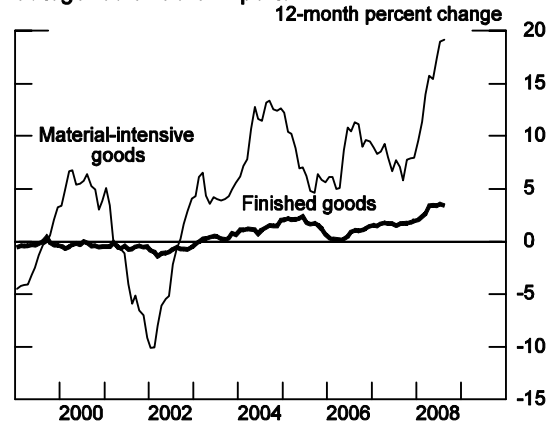
Exports. Core export prices declined 2 percent in August, the first monthly decline in nearly two years. The fall in core export prices was entirely attributable to a drop in prices for material-intensive goods; agricultural export prices fell 9.6 percent and those for nonagricultural industrial supplies fell 2.5 percent. In contrast, prices for exported finished goods rose 0.2 percent in August, similar to recent rates of increase. The average price of core exports in July and August rose at an annual rate of 7.6 percent from the second quarter, down from double-digit rates of increase in the first half of the year.

Prices of U.S. Imports and Exports

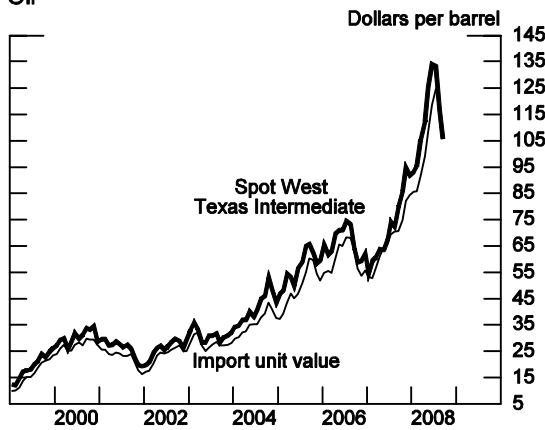
Merchandise Imports



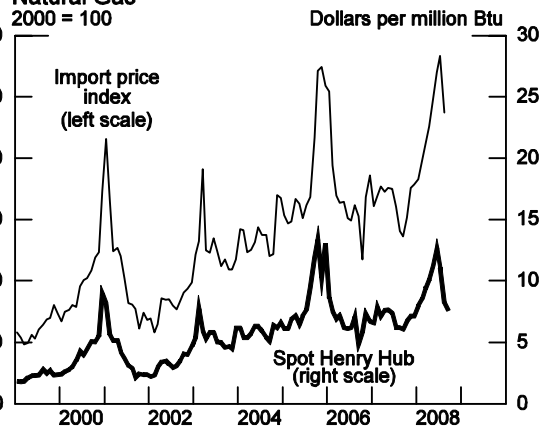
Categories of Core Imports



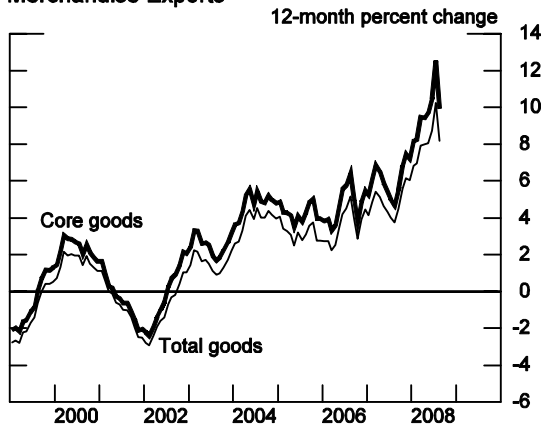
Oil



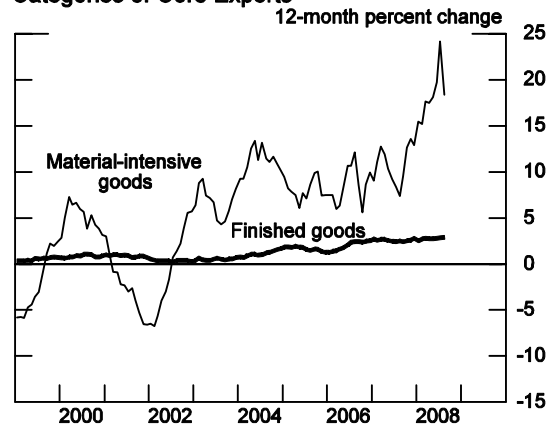
Natural Gas



Merchandise Exports



Categories of Core Exports



Source. Bureau of Labor Statistics, Wall Street Journal, and Commodity Research Bureau.

Prices of U.S. Imports and Exports
(Percentage change from previous period)

	Annual rate			Monthly rate		
	2008			2008		
	Q1	Q2	Q3 ^e	June	July	Aug.
	----- BLS prices -----					
Merchandise imports	15.4	36.7	5.3	3.1	.2	-3.7
Oil	44.3	152.8	5.1	9.4	-1.0	-12.8
Non-oil	8.4	12.7	5.2	.8	.7	-.3
Core goods ¹	9.5	13.8	6.8	.9	.8	.2
Finished goods	3.9	5.7	2.2	.1	.4	.1
Cap. goods ex. comp. & semi.	4.1	8.5	4.3	.2	.7	.2
Automotive products	3.9	2.3	.8	.1	.1	.1
Consumer goods	4.5	4.9	1.7	.1	.3	.0
Material-intensive goods	22.1	31.9	16.2	2.3	1.6	.4
Foods, feeds, beverages	17.7	19.0	13.9	1.8	1.4	.7
Industrial supplies ex. fuels	23.1	35.0	16.8	2.5	1.6	.4
Computers	-10.6	-3.9	-7.7	-1.1	-.5	-1.4
Semiconductors	-7.3	-4.9	-7.9	-1.2	-1.8	.4
Natural gas	88.2	148.4	21.3	9.1	4.9	-16.4
Merchandise exports	12.6	10.2	5.9	1.0	1.5	-1.7
Core goods ²	15.4	12.1	7.6	1.1	2.0	-2.0
Finished goods	3.7	2.7	2.4	.1	.4	.2
Cap. goods ex. comp. & semi.	5.8	4.0	3.1	.2	.4	.3
Automotive products	1.6	1.9	.9	.0	.2	.1
Consumer goods	2.8	2.1	1.9	.1	.3	.3
Material-intensive goods	30.1	23.1	13.2	2.2	3.6	-4.3
Agricultural products	58.1	14.4	12.3	2.3	6.5	-9.6
Industrial supplies ex. ag.	21.9	26.8	13.7	2.2	2.7	-2.5
Computers	-10.3	-9.1	-8.3	-.8	-.9	-1.1
Semiconductors	.6	-.8	-2.6	2.4	-2.0	-.1
	----- NIPA prices -----					
Chain price index						
Imports of goods & services	12.8	28.5	n.a	...	...	...
Non-oil merchandise	8.0	11.0	n.a	...	...	...
Core goods ¹	8.5	10.6	n.a	...	...	...
Exports of goods & services	9.1	10.9	n.a	...	...	...
Total merchandise	10.0	12.6	n.a	...	...	...
Core goods ²	12.0	14.2	n.a	...	...	...

1. Excludes computers, semiconductors, and natural gas.

2. Excludes computers and semiconductors.

e Estimate based on average of two months.

n.a. Not available. ... Not applicable.

BLS Bureau of Labor Statistics.

NIPA National Income and Product Accounts.

Source. Bureau of Economic Analysis and Bureau of Labor Statistics.