

Prefatory Note

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Part 2

April 22, 2009

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Recent Developments

April 22, 2009

Recent Developments

Domestic Nonfinancial Developments

Domestic Nonfinancial Developments

The data on economic activity have been mixed recently, but on balance the declines in some components of final demand appear to be slowing. To be sure, firms have continued to make substantial cuts in production and employment in recent months, adjustments that are likely associated, at least in part, with the sizable inventory overhangs that have persisted into early this year. Nonetheless, smoothing through the monthly volatility, consumer spending seems to have stabilized in the first quarter after a steep drop in the second half of last year. In addition, housing activity, while still quite depressed, has leveled off in recent months. Meanwhile, business fixed investment continued to contract sharply in the first quarter, with the most recent indicators still pointing to further reductions in outlays for both equipment and structures. State and local governments are cutting back on spending as well. Overall consumer prices have risen moderately in the first three months of this year after falling sharply in the fourth quarter of last year. Core PCE prices, which were about unchanged in the final months of 2008, have picked up over the first three months of 2009.

Labor Market Developments

Labor market conditions deteriorated further in March. Private nonfarm payroll employment registered its fifth consecutive monthly decline of more than 600,000, and job losses remained widespread across industries. In addition to shedding jobs, firms continued to cut their labor input by shortening hours worked: The average weekly hours of production and nonsupervisory workers on private payrolls ticked down another 0.1 hour in March to the low level of 33.2 hours. Taking into account reductions in both employment and the workweek, aggregate hours of production and nonsupervisory workers fell at annual rate of 8¾ percent last quarter.

In the household survey, the unemployment rate rose 0.4 percentage point in March to 8.5 percent. (Thus far in this recession, the unemployment rate has risen 3.6 percentage points, comparable with the sharp increases recorded during the 1973-75 and 1981-82 recessions.) In addition, the fraction of workers who were working part time for economic reasons—another measure of the utilization of labor—continued to rise last month. The labor force participation rate, which was fairly stable through the third quarter of last year, has moved down since then and stood at 65.5 percent in March.¹

¹ The emergency unemployment insurance program that began in July has likely boosted labor force participation and the unemployment rate by encouraging unemployed individuals to remain in the labor force. The staff estimates that, in March, emergency benefits contributed about 0.3 percentage point to the

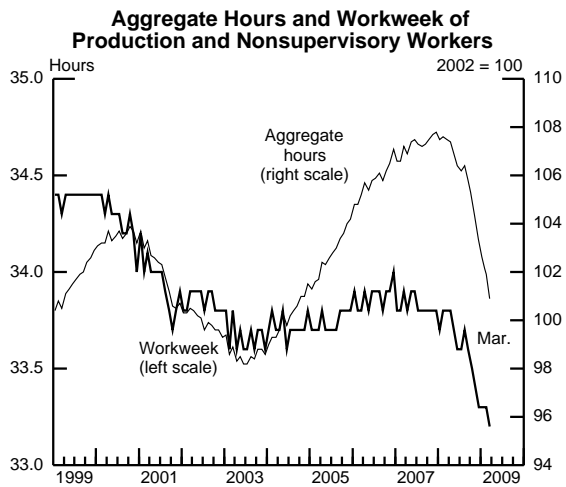
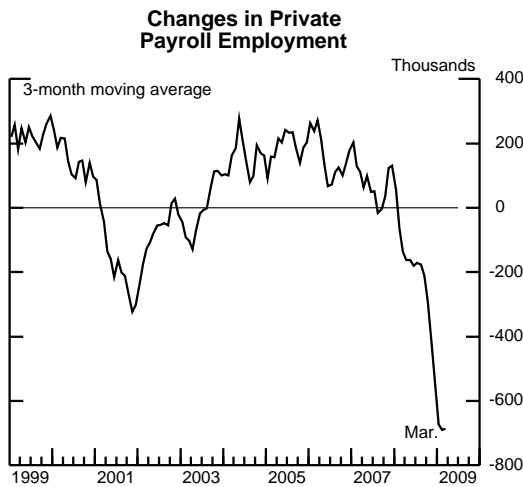
Note: A list of abbreviations is available at the end of *Part 2: Recent Developments*.

Changes in Employment

(Thousands of employees; seasonally adjusted)

Measure and sector	2008		2009				
	2008	Q3	Q4	Q1	Jan.	Feb.	Mar.
	Average monthly change				Monthly change		
Nonfarm payroll employment (establishment survey)	-257	-208	-553	-685	-741	-651	-663
Private	-270	-212	-552	-687	-749	-654	-658
Natural resources and mining	4	8	-2	-12	-8	-9	-18
Manufacturing	-73	-61	-140	-197	-262	-169	-161
Ex. motor vehicles	-58	-43	-121	-170	-192	-176	-144
Construction	-57	-34	-97	-123	-135	-107	-126
Residential	-35	-21	-51	-57	-60	-53	-59
Nonresidential	-22	-12	-45	-66	-76	-54	-68
Wholesale trade	-16	-12	-32	-34	-31	-40	-31
Retail trade	-44	-42	-80	-48	-46	-51	-48
Financial activities	-19	-16	-35	-48	-56	-44	-43
Temporary help services	-44	-40	-70	-80	-90	-77	-72
Nonbusiness services ¹	19	16	-19	-29	-13	-19	-55
Total government	14	4	-1	2	8	3	-5
Total employment (household survey)	-246	-236	-564	-817	-1239	-351	-861
Memo:							
Aggregate hours of private production workers (percent change) ²	-3.3	-2.8	-7.4	-8.7	-7	-6	-1.0
Average workweek (hours) ³	33.6	33.6	33.4	33.3	33.3	33.3	33.2
Manufacturing (hours)	40.8	40.8	40.2	39.5	39.8	39.5	39.3

1. Nonbusiness services comprises education and health, leisure and hospitality, and "other."
 2. Establishment survey. Annual data are percent changes from Q4 to Q4. Quarterly data are percent changes from preceding quarter at an annual rate. Monthly data are percent changes from preceding month.
 3. Establishment survey.



Source: U.S. Department of Labor, Bureau of Labor Statistics.

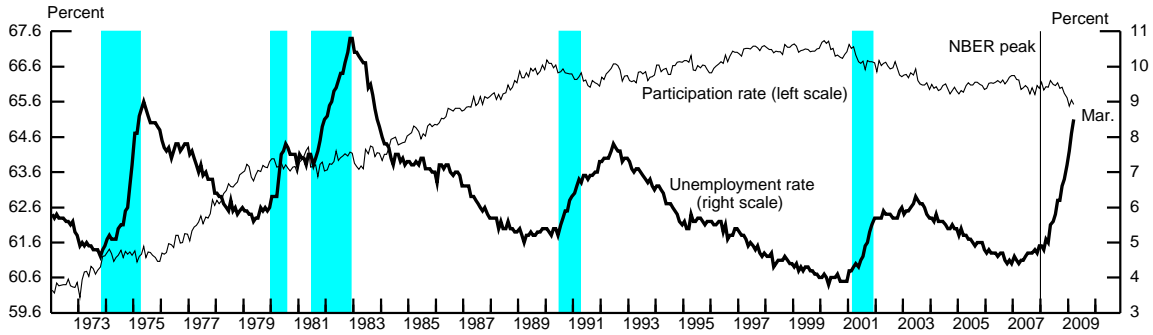
level of the published unemployment rate and about 0.2 percentage point to the level of the published labor force participation rate.

Selected Unemployment and Labor Force Participation Rates

(Percent; seasonally adjusted)

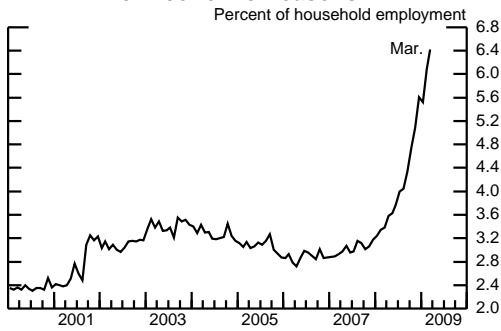
Rate and group	2008	2008		2009			
		Q3	Q4	Q1	Jan.	Feb.	Mar.
<i>Civilian unemployment rate</i>							
Total	5.8	6.0	6.9	8.1	7.6	8.1	8.5
Teenagers	18.7	19.7	20.7	21.3	20.8	21.6	21.7
20-24 years old	10.2	10.6	11.3	13.0	12.1	12.9	14.0
Men, 25 years and older	4.8	5.1	6.0	7.4	6.9	7.5	7.9
Women, 25 years and older	4.4	4.5	5.2	6.2	5.8	6.2	6.5
<i>Labor force participation rate</i>							
Total	66.0	66.1	65.9	65.6	65.5	65.6	65.5
Teenagers	40.2	40.3	38.7	38.3	38.3	38.7	38.0
20-24 years old	74.4	74.8	74.1	73.7	72.8	74.0	74.5
Men, 25 years and older	75.4	75.6	75.2	74.6	74.7	74.7	74.4
Women, 25 years and older	60.0	60.0	60.1	60.0	60.1	60.0	60.0

Labor Force Participation Rate and Unemployment Rate

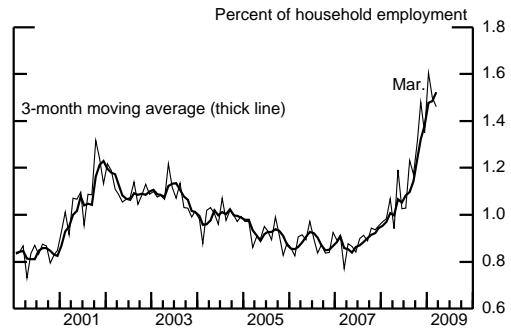


Note: Shaded bars indicate periods of business recession as defined by the National Bureau of Economic Research (NBER). The NBER peak is the last business cycle peak as defined by the NBER.

Persons Working Part Time for Economic Reasons



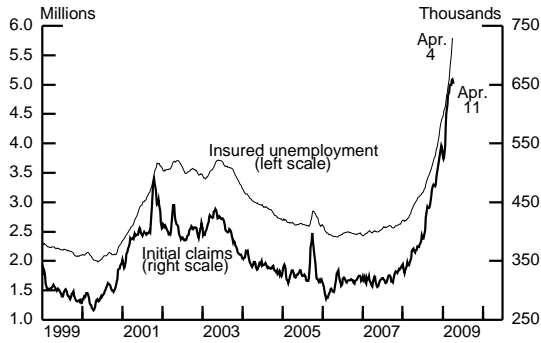
Job Losers Unemployed Less Than 5 Weeks



Source: U.S. Department of Labor, Bureau of Labor Statistics.

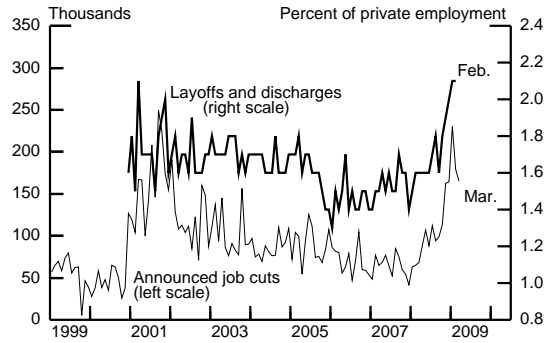
Labor Market Indicators

Unemployment Insurance



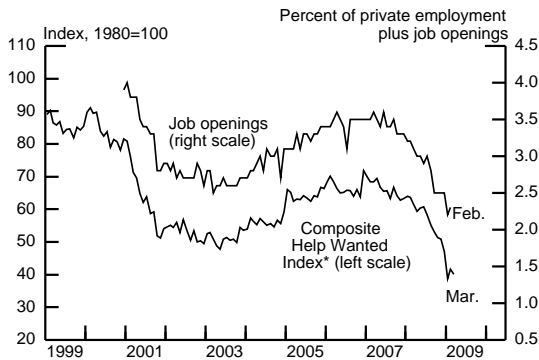
Note: 4-week moving averages.
Source: U.S. Dept. of Labor, Employment and Training Administration.

Layoffs and Job Cuts



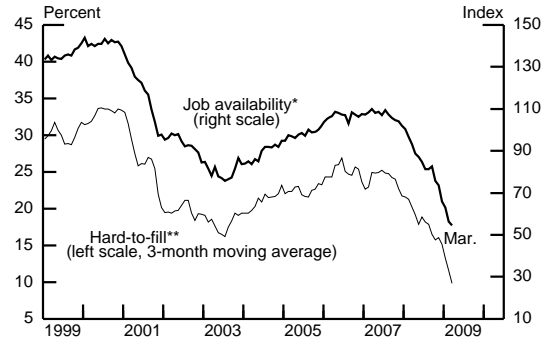
Note: Job cuts seasonally adjusted by FRB staff.
Source: For layoffs and discharges, Job Openings and Labor Turnover Survey; for job cuts, Challenger, Gray, and Christmas, Inc.

Job Openings



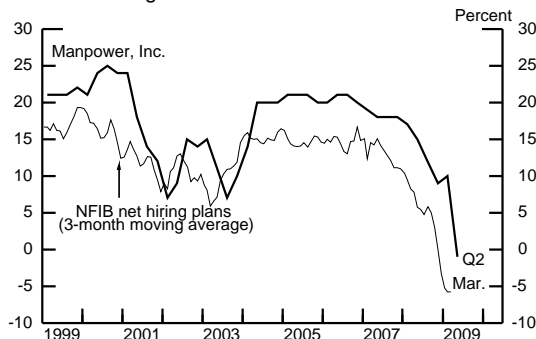
*Index of staff composite help wanted advertising as a percent of private payroll employment.
Source: For job openings, Job Openings and Labor Turnover Survey; for Help Wanted Index, Conference Board and staff calculations.

Job Availability and Hard-to-Fill Positions



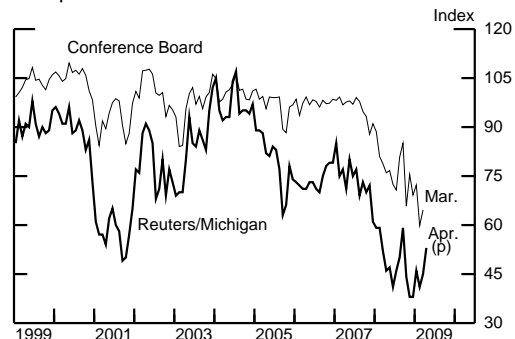
*Proportion of households believing jobs are plentiful, minus the proportion believing jobs are hard to get, plus 100.
**Percent of small businesses surveyed with at least one "hard-to-fill" job opening. Seasonally adjusted by FRB staff.
Source: For job availability, Conference Board; for hard-to-fill, National Federation of Independent Business.

Net Hiring Plans



Note: Percent planning an increase in employment minus the percent planning a reduction.
Source: National Federation of Independent Business (NFIB); Manpower, Inc.

Expected Labor Market Conditions



Note: The proportion of households expecting labor market conditions to improve, minus the proportion expecting conditions to worsen, plus 100.
p Preliminary.
Source: Conference Board; Reuters/University of Michigan Surveys of Consumers.

Output per Hour(Percent change from preceding period at an annual rate;
seasonally adjusted)

Sector	2006:Q4 to 2007:Q4	2007:Q4 to 2008:Q4	2008			
			Q1	Q2	Q3	Q4
Nonfarm business						
All persons	2.6	2.2 ¹	2.6	4.7	2.1	-.5 ¹
All employees ²	2.0	1.6 ¹	2.3	4.9	1.6	-2.2 ¹
Nonfinancial corporations ³	1.9	n.a.	-.4	8.5	6.4	n.a.

1. Staff estimates.

2. Assumes that the growth rate of hours of non-employees equals the growth rate of hours of employees.

3. All corporations doing business in the United States except banks, stock and commodity brokers, and finance and insurance companies. The sector accounts for about two-thirds of business employment. Nonfinancial corporate output is calculated as an income-side measure.

n.a. Not available.

Source: For output, U.S. Dept. of Commerce, Bureau of Economic Analysis; for hours, U.S. Dept. of Labor, Bureau of Labor Statistics.

Other indicators also point to an ongoing deterioration in labor demand. The four-week moving average of initial claims for unemployment insurance has remained high since the reference week for the March employment report, and the number of individuals receiving unemployment insurance benefits, relative to the size of the labor force, has surged to its highest level since 1980. Layoff rates—as gauged by the percentage of short-term job losers in the household survey and the layoff and discharge rate from the Job Openings and Labor Turnover Survey—have stayed very high, while measures of job vacancies are low. Meanwhile, alternative measures of labor market slack—job availability as reported in the Conference Board Survey and hard-to-fill positions in the NFIB survey—remain at levels consistent with elevated slack. Looking forward, indicators of hiring plans from the NFIB and Manpower, Inc. surveys have weakened further and, not surprisingly, households' expectations of future labor market conditions remain depressed.

Industrial Production

Industrial production (IP) declined 1½ percent in both February and March, and total IP fell at an annual rate of 20 percent for the first quarter as a whole. The declines in output were once again widespread across industries; the diffusion index of three-month changes edged up in March but continued to indicate that significantly more industries cut production last month relative to three months earlier than increased it. In the

Selected Components of Industrial Production
(Percent change from preceding comparable period)

Component	Proportion 2008 (percent)	2008 ¹	2008	2009	2009		
			Q4	Q1	Jan.	Feb.	Mar.
			Annual rate		Monthly rate		
Total	100.0	-6.7	-12.7	-20.0	-2.1	-1.5	-1.5
Previous	100.0	-6.6	-12.7	...	-2.0	-1.5	...
Manufacturing	79.0	-8.6	-17.7	-22.5	-2.7	-.6	-1.7
Ex. motor veh. and parts	74.5	-7.7	-16.5	-19.2	-1.5	-1.0	-1.9
Ex. high-tech industries	70.3	-7.7	-15.0	-18.5	-1.6	-.9	-1.8
Mining	10.6	.7	2.9	-14.8	-1.3	-1.0	-3.2
Utilities	10.4	.3	12.5	-6.2	1.2	-7.7	1.8
<i>Selected industries</i>							
Energy	23.9	1.2	10.9	-8.7	-.3	-3.7	-.6
High technology	4.2	-6.8	-37.8	-29.5	-.5	-3.1	-3.1
Computers	1.0	-11.5	-30.4	-35.4	-3.9	-3.7	-3.3
Communications equipment	1.3	10.7	7.4	1.2	1.8	-2.8	-1.0
Semiconductors ²	1.8	-15.2	-61.2	-47.0	-.7	-3.1	-5.0
Motor vehicles and parts	4.5	-23.0	-36.5	-66.9	-25.0	9.4	1.5
Aircraft and parts	2.3	-12.9	-20.9	76.3	-3.5	.5	-.9
<i>Total ex. selected industries</i>	65.1	-8.2	-17.1	-22.0	-1.5	-1.1	-1.9
Consumer goods	20.7	-4.1	-8.3	-11.8	-.7	-.3	-.9
Durables	3.5	-14.6	-26.2	-25.3	-.8	-2.7	-2.5
Nondurables	17.1	-1.8	-4.2	-9.0	-.6	.1	-.6
Business equipment	6.6	-4.7	-11.6	-22.6	-2.4	-2.2	-2.7
Defense and space equipment	1.1	-2.1	-.1	-4.0	.5	-2.4	1.5
Construction supplies	4.8	-11.7	-26.4	-36.3	-4.2	-1.9	-2.8
Business supplies	7.3	-9.7	-17.2	-25.5	-2.2	-2.0	-2.0
Materials	24.6	-11.5	-24.0	-27.0	-1.4	-1.0	-2.6
Durables	12.4	-11.3	-28.8	-37.2	-3.4	-2.8	-3.6
Nondurables	12.2	-11.8	-18.9	-15.5	.7	.7	-1.7

1. From fourth quarter of preceding year to fourth quarter of year shown.

2. Includes related electronic components.

... Not applicable.

Source: Federal Reserve, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

Capacity Utilization
(Percent of capacity)

Sector	1972- 2008 average	1994- 95 high	2001- 02 low	2008		2009		
				Q3	Q4	Q1	Feb.	Mar.
Total industry	80.9	84.9	73.5	76.9	74.3	70.3	70.3	69.3
Manufacturing	79.6	84.5	71.4	74.6	71.0	66.7	66.9	65.8
Mining	87.6	89.1	84.9	89.1	89.5	85.9	86.5	83.8
Utilities	86.8	93.3	84.2	81.5	83.6	81.9	79.2	80.5
<i>Stage-of-process groups</i>								
Crude	86.6	89.9	81.7	85.2	83.9	80.7	81.3	79.5
Primary and semifinished	82.0	87.9	74.3	76.8	73.5	68.2	67.9	66.8
Finished	77.7	80.3	70.0	73.5	71.1	68.3	68.5	67.9

Source: Federal Reserve, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

Production of Domestic Light Vehicles
(Millions of units at an annual rate except as noted)

Item	2008		2009		2009			
	Q3	Q4	Q1	Q2	Mar.	Apr.	May	June
U.S. production ¹	8.4	7.1	4.4	5.9	4.8	5.8	6.1	5.7
Autos	4.1	3.3	1.6	2.6	1.9	2.5	2.7	2.5
Light trucks	4.3	3.7	2.8	3.3	3.0	3.3	3.4	3.1
Days' supply ²	76	98	93	n.a.	89	n.a.	n.a.	n.a.
Autos	67	98	94	n.a.	86	n.a.	n.a.	n.a.
Light trucks	84	99	92	n.a.	91	n.a.	n.a.	n.a.
Inventories ³	2.41	2.47	2.04	n.a.	2.04	n.a.	n.a.	n.a.
Autos	0.96	1.14	0.92	n.a.	0.92	n.a.	n.a.	n.a.
Light trucks	1.44	1.33	1.11	n.a.	1.11	n.a.	n.a.	n.a.
Memo: U.S. production, total motor vehicles ⁴	8.6	7.3	4.6	6.1	5.1	6.0	6.3	5.9

Note: FRB seasonals. Components may not sum to totals because of rounding.
 1. Production rates for April, May, June, and the second quarter of 2009 reflect the latest industry schedules.
 2. Quarterly values are calculated with end-of-period stocks and average reported sales.
 3. End-of-period stocks.
 4. Includes medium and heavy trucks.
 n.a. Not available.
 Source: Ward's Communications.

Inventories of Light Vehicles



Source: Ward's Communications. Adjusted using FRB seasonals.

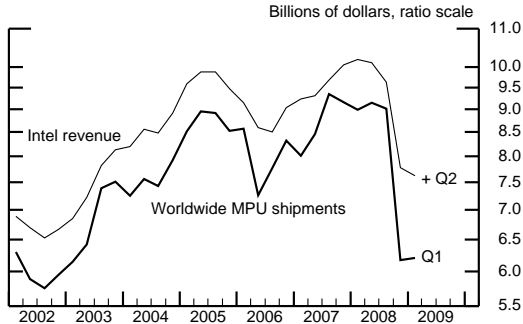
Days' Supply of Light Vehicles



Source: Constructed from Ward's Communications data. Adjusted using FRB seasonals.

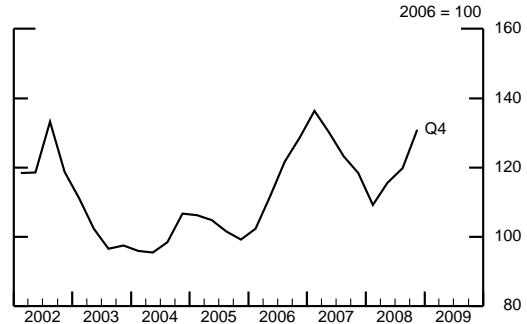
Indicators of High-Tech Manufacturing Activity

MPU Shipments and Intel Revenue



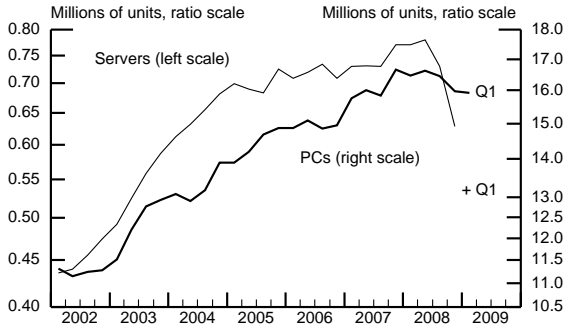
Note: FRB seasonals. MPU is a microprocessor unit. Q2 Intel revenue is the company's internal forecast as of April 14, 2009. MPU shipments include Semiconductor Industry Association (SIA) data through February and a staff estimate for March. Source: Intel; SIA.

FRB Chip Inventory Index



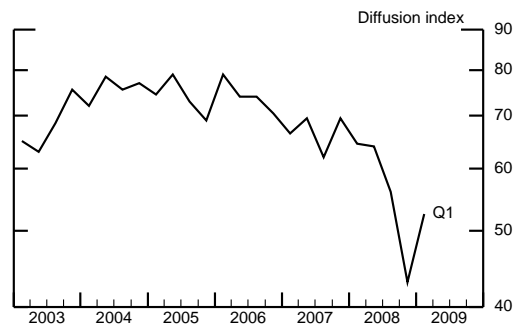
Note: The staff's chip inventory index is a sales-weighted chain-type index constructed from financial data for 10 major chip manufacturers. Source: Financial reports.

U.S. Personal Computer and Server Absorption



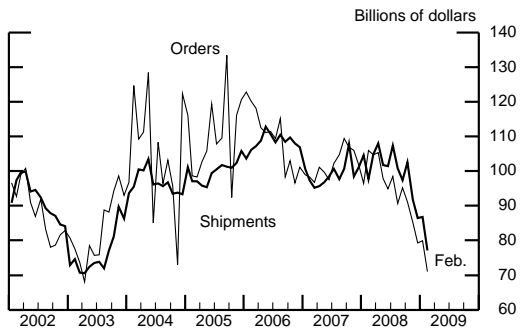
Note: FRB seasonals. Q1 server units are a forecast produced by International Data Corporation (IDC). Q1 PCs are constructed using IDC's Top 5. Source: IDC.

High-Tech Spending Plans



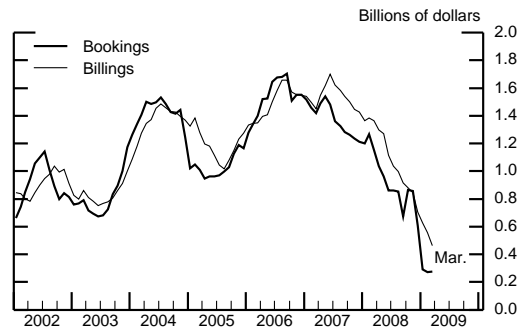
Note: Based on survey question on firms' plans to increase or decrease their spending on high-tech equipment in the next 12 months. Source: NABE Industry Survey.

Circuit Board Orders and Shipments



Note: U.S. and Canadian shipments of bare and loaded circuit boards. Source: Institute for Printed Circuits.

Bookings and Billings for Semiconductor Equipment



Note: FRB seasonals. Source: Semiconductor Equipment and Materials International.

manufacturing sector, output fell 1.7 percent in March, and the factory operating rate declined to 65.8 percent, another low for a series that goes back to 1948.²

At an annual rate of just 4.4 million units, production of domestic light motor vehicles in the first quarter stood at its lowest level in the 32 years for which comparable data are available. While inventory stocks are extremely low, days' supply remained elevated when gauged at last months' low level of sales. Looking ahead, industry schedules currently call for assemblies to move up this quarter but only to a 5.9 million unit pace.

Elsewhere in the transportation equipment industry, the news is less bleak.

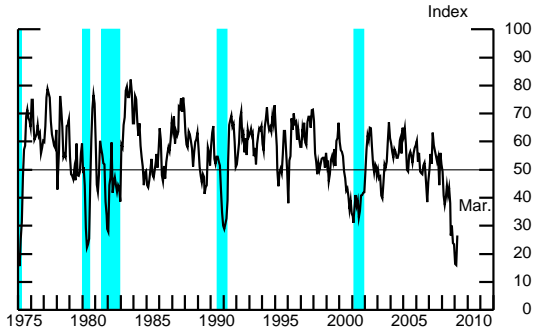
. However, the company recently announced that it plans to slow the pace of production for the Boeing 777 starting in mid-2010. The output of military aircraft increased about 2¼ percent in 2008, reflecting an accelerated replacement cycle and an increase in the modification and remanufacturing of some aircraft models. In 2009, the output of military aircraft production will be supported by the ramp-up of the new F-35 jet fighter program; scheduled production of both combat and transport aircraft has also increased.

The output of high-technology products decreased 3.1 percent in March and contracted at an annual rate of nearly 30 percent in the first quarter. Semiconductor production fell at an annual rate of almost 50 percent in the first quarter, with the declines broadly based across the various types of semiconductors. Most notably, microprocessor production posted another sizable drop, and the output of memory chips continued to plunge. Computer production fell at an annual rate of about 35 percent in the first quarter, reflecting an especially sharp deterioration in the demand for servers. In contrast, the output of communications equipment edged up, on net, in the first quarter, likely because of an increase in defense and homeland security spending.

² On March 27, the Federal Reserve published its annual revision of industrial production and the related measures of capacity and capacity utilization. The rate of change in total industrial production was revised down for 2007 and 2008. IP is now estimated to have advanced 1.8 percent during 2007 (measured fourth quarter to fourth quarter), 0.3 percentage point less than previously estimated, and to have fallen 6.7 percent during 2008, a decline that is 0.6 percentage point larger than previously published. Revisions to the index for total IP in earlier years were very small, and the pattern of production in recent months was little changed. The revised rates of capacity utilization for 2007 and 2008 are about ½ percentage point lower than previously published; operating rates in earlier years were little changed. Manufacturing capacity is now expected to fall 1.2 percent in 2009, a decline that is 0.6 percentage point larger than initially estimated.

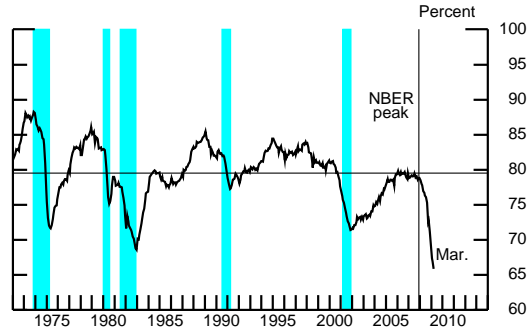
Indicators of Industrial Activity

IP Diffusion Index



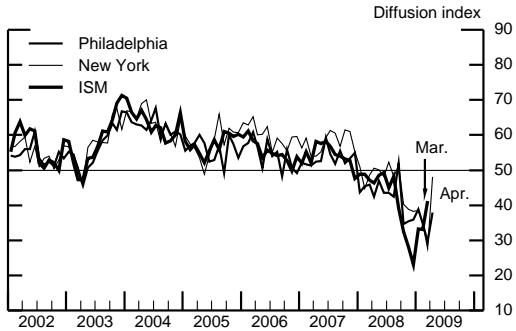
Note: The diffusion index equals the percentage of series that increased relative to three months earlier plus one-half the percentage that were unchanged.
 Source: Federal Reserve, G.17 Statistical Release, "Industrial Production and Capacity Utilization."

Manufacturing Capacity Utilization



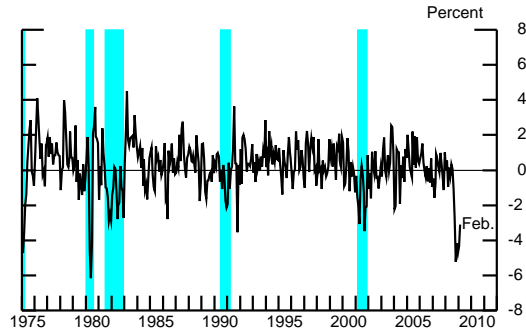
Note: Horizontal line is 1972-2008 average. Shaded bars indicate periods of business recession as defined by the National Bureau of Economic Research (NBER). The NBER peak is the last business cycle peak as defined by the NBER.
 Source: Federal Reserve.

New Orders: ISM, FRB New York, and FRB Philadelphia Surveys



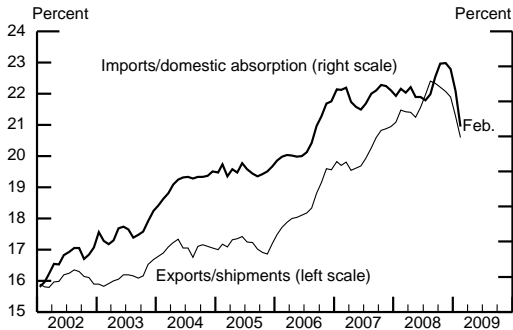
Note: The diffusion index equals the percentage of respondents reporting greater levels of new orders plus one-half the percentage of respondents reporting that new orders were unchanged.
 Source: Institute for Supply Management (ISM); Federal Reserve.

Change in Real Adjusted Durable Goods Orders



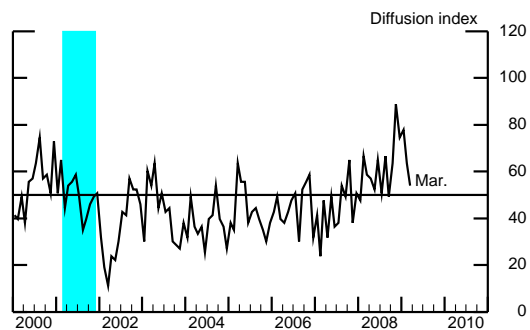
Note: The measure for real adjusted durable goods orders (RADGO) is a 3-month moving average.
 Source: Staff calculation based on data from the U.S. Census Bureau and the Bureau of Labor Statistics.

Trade Shares



Note: Trade shares are 3-month moving averages.
 Source: U.S. Department of Commerce.

Three-Month Changes in Months' Supply



Note: The diffusion index equals 50 plus one-half of the share of industries whose inventories are up relative to three months earlier minus one-half of the share of industries whose inventories are down relative to three months earlier.
 Source: Staff's flow-of-goods system.

Looking ahead, although Intel has reported tentative signs that the PC market may be bottoming out and high-tech spending plans from NABE's quarterly survey edged up, other available indicators point to a further weakening in high-tech output in the near term. Data from Semiconductor Equipment and Materials International show that bookings and shipments of the equipment used to fabricate semiconductors moved roughly sideways in February and March after having fallen sharply in January; these data suggest that semiconductor producers remain wary of the outlook for demand and are hesitant to invest. In addition, new orders for printed circuit boards moved down in February, a sign of weak near-term demand from downstream producers, such as computers and other consumer electronics.

Production in the energy sector has fallen 4½ percent so far this year. This decline reflects both a plunge in drilling activity (likely a lagged response to the earlier sharp declines in energy prices) and weather-driven swings in utilities output.

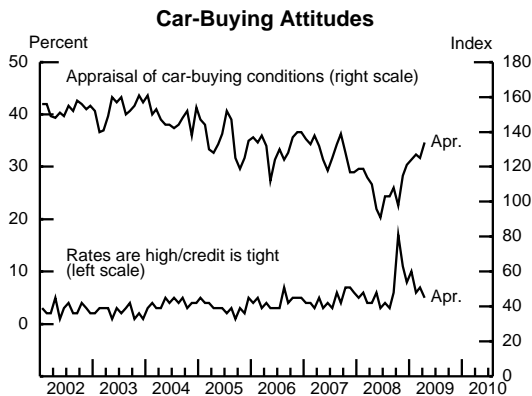
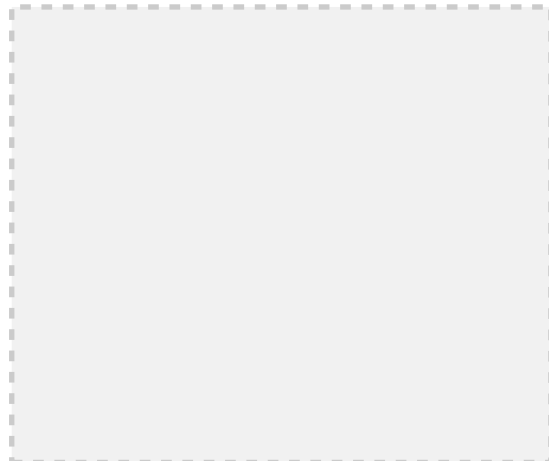
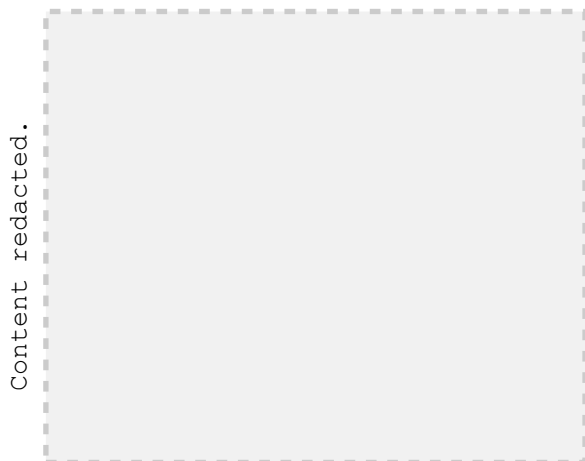
Outside of the energy, transportation equipment, and high-technology industries (which together account for just over one-third of total IP), production decreased 1.9 percent in March and at an annual rate of 22 percent for the first quarter as a whole. The production of consumer durables and business equipment continues to be particularly weak, although hefty declines were recorded in all major market groups except defense and space equipment.

Available near-term indicators of production point to further declines in factory output over the next few months, although not as steep as those registered in the first quarter. The new orders diffusion index from the national ISM survey (an indicator of near-term manufacturing activity) was at an index level of 41 in March—up from February, but still consistent with moderate near-term declines in production. More recently, the new orders diffusion indexes from the Empire State and Philadelphia Fed surveys moved up in April from their record lows in March, though to levels that still suggest some further declines in production. The staff's series on the change in real orders for durable goods (adjusted to exclude industries for which reported orders have little information content for predicting shipments) paints a similar picture for production to the one provided by the business surveys. Finally, domestic production has continued to suffer from the slump in foreign demand. Indeed, the manufacturing export share—defined as the ratio of nominal exports of manufactured goods to nominal shipments—plunged in January and February after having been on an upward trend through the end of last year.

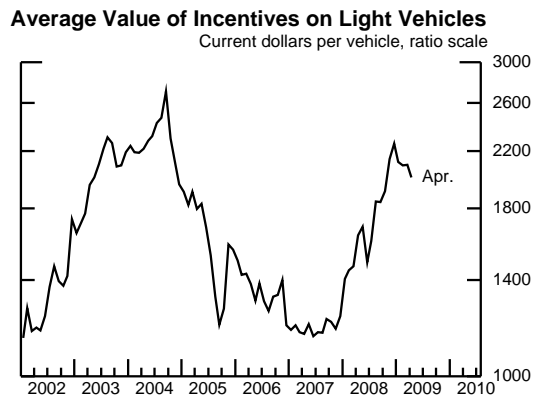
Sales of Light Vehicles
(Millions of units at an annual rate; FRB seasonals)

Category	2008	2008		2009			
		Q3	Q4	Q1	Jan.	Feb.	Mar.
Total	13.1	12.9	10.3	9.5	9.5	9.1	9.8
Autos	6.7	6.6	5.2	4.8	4.6	4.6	5.1
Light trucks	6.4	6.3	5.1	4.7	5.0	4.5	4.7
North American ¹	9.8	9.7	7.7	6.8	6.9	6.3	7.1
Autos	4.5	4.4	3.6	3.0	2.9	2.9	3.3
Light trucks	5.3	5.3	4.1	3.7	4.0	3.5	3.8
Foreign-produced	3.3	3.2	2.6	2.7	2.7	2.8	2.8
Autos	2.2	2.2	1.7	1.7	1.7	1.7	1.8
Light trucks	1.1	1.0	.9	1.0	1.0	1.0	1.0
Memo: Detroit Three domestic market share (percent) ²	47.6	46.7	47.5	43.2	43.1	43.4	44.5

Note: Components may not sum to totals because of rounding.
 1. Excludes some vehicles produced in Canada that are classified as imports by the industry.
 2. Domestic market share excludes sales of foreign brands affiliated with the Detroit Three.
 Source: Ward's Communications. Adjusted using FRB seasonals.



Source: Reuters/University of Michigan Surveys of Consumers.



Note: Seasonally adjusted weighted average of customer cash rebate and the present value of interest rate reduction. April figure is based on data through April 12.
 Source: J.D. Power and Associates.

Motor Vehicles

Sales of light motor vehicles rose to an annual rate of 9.8 million units in March.

. For the first quarter as a whole, sales of light vehicles averaged 9½ million units (annual rate), about ¾ million units below the fourth-quarter pace.

Although several key determinants of retail vehicle demand such as labor market conditions and household wealth remain weak, some indicators appear to have improved. Consumers' assessment of car-buying conditions in the Reuters/University of Michigan survey have moved up so far this year, with a particularly large jump in April. In part, this improvement may reflect the high level of incentives in recent months and an easing in financing conditions after the Treasury's injection of funds into GMAC and Chrysler Financial late last year. In March, GMAC financed more than \$2 billion in retail vehicle contracts—a level consistent with the average for this decade—and announced plans to further expand financing and to ease lending standards in April and May.³ In addition, conditions in secondary auto finance markets have improved lately, which may further help spur lending going forward.⁴

Consumer Spending

The incoming data indicate that total consumer spending may have flattened out in the first quarter after having fallen sharply over the second half of last year. Smoothing through the monthly volatility, the latest figures for retail sales suggest that real consumption expenditures on goods excluding motor vehicles increased at an annual rate of about 1¼ percent in the first quarter; this compares with an annual rate of decline of nearly 9 percent in the second half of last year. In addition, we estimate that consumer spending on new and used motor vehicles and parts increased last quarter following six consecutive quarterly declines. Meanwhile, outlays for services were reported to have been about flat, on average, in January and February.

³ On April 1, GMAC announced that it would earmark an additional \$5 billion for consumer auto loans in April and May, cut interest rates for well-qualified customers, and accept automotive finance applications for customers with credit scores less than 620.

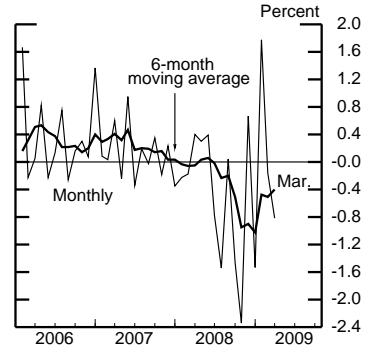
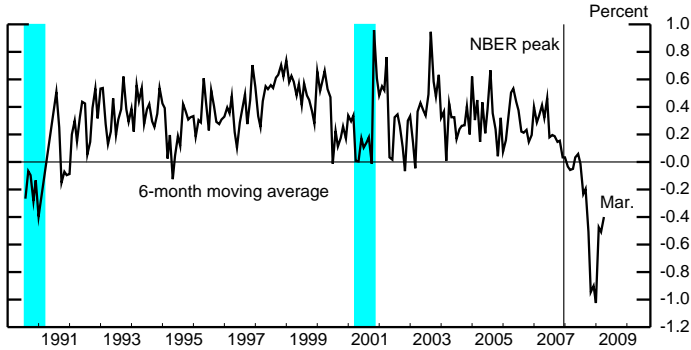
⁴ Spreads on AAA-rated auto loan ABS over swap rates have narrowed significantly so far this year. In addition, both Ford and Nissan issued TALF-backed auto loan ABS to strong demand last month; no other captive finance companies or rental car companies have participated in the TALF program to date.

Real Personal Consumption Expenditures
(Percent change from preceding comparable period)

Category	2008	2008	2009	2009		
		Q4	Q1	Jan.	Feb.	Mar.
		Annual rate		Monthly rate		
Total real PCE¹	.2	-4.3	n.a.	.7	-1	n.a.
Motor vehicles	-13.3	-37.9	11.9	5.3	-4.0	-.8
Goods ex. motor vehicles	-.2	-10.2	1.3	1.4	.2	-.8
Ex. energy	.3	-12.2	.6	1.3	.1	-.9
Services	1.5	1.5	n.a.	.1	.0	n.a.
Ex. energy	1.6	.9	n.a.	-.1	.1	n.a.
Memo: Nominal retail control ²	3.4	-22.6	-3.1	1.9	1.1	-.9

1. The values for Q1, January, February, and March are staff estimates based on available data.
 2. Total sales less outlays at building material and supply stores and automobile and other motor vehicle dealers.
 n.a. Not available.
 Source: U.S. Department of Commerce, Bureau of Economic Analysis.

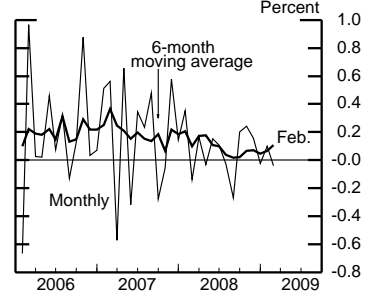
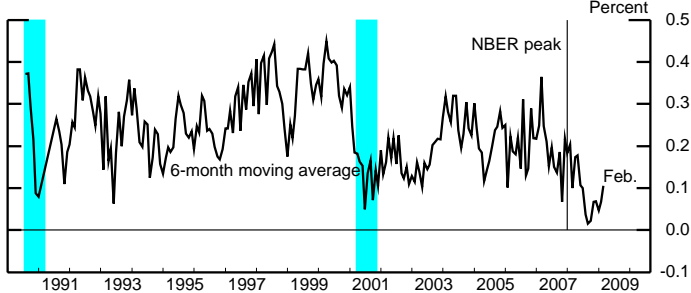
Change in Real PCE Goods



Note: Shaded bars indicate periods of business recession as defined by the National Bureau of Economic Research (NBER). The NBER peak is the last business cycle peak as defined by the NBER.

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

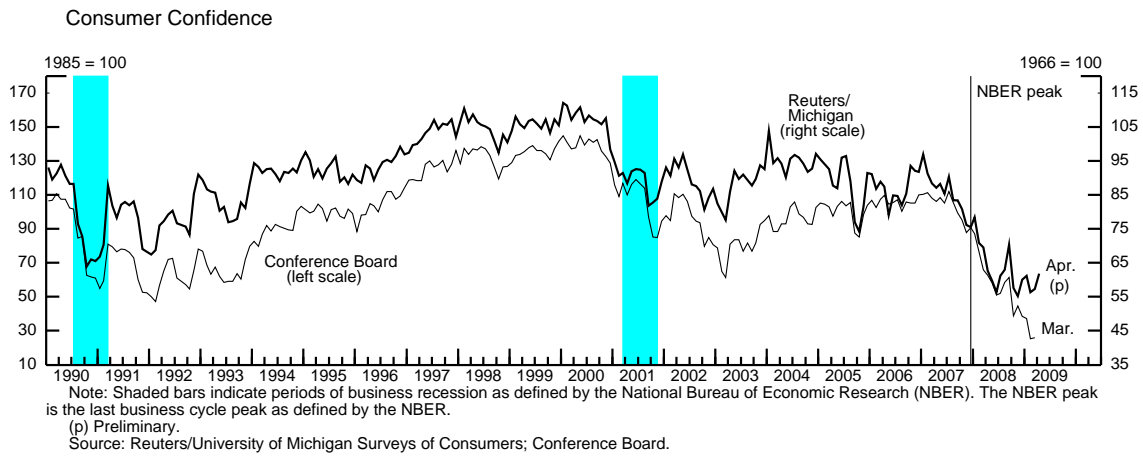
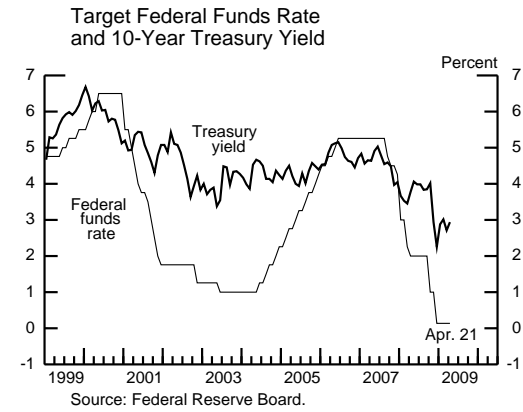
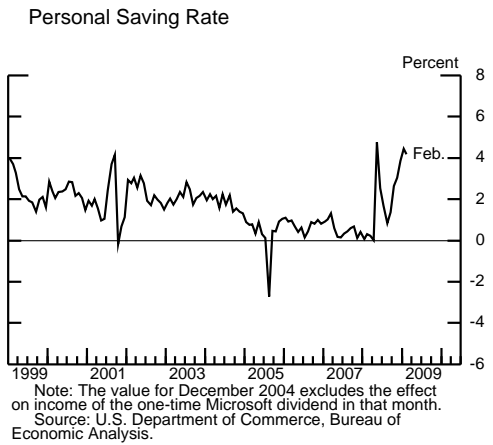
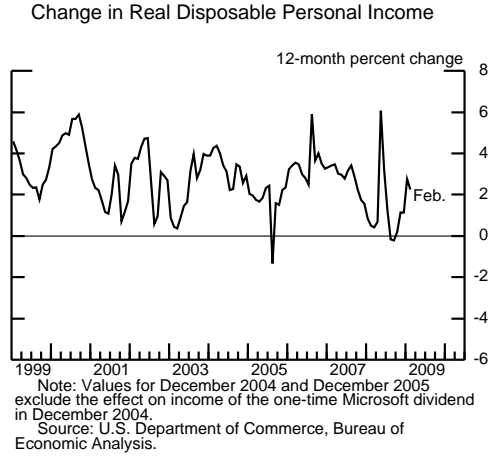
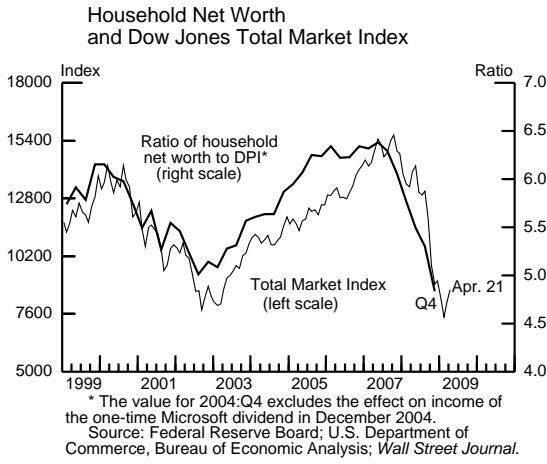
Change in Real PCE Services



Note: Shaded bars indicate periods of business recession as defined by the National Bureau of Economic Research (NBER). The NBER peak is the last business cycle peak as defined by the NBER.

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

Fundamentals of Household Spending



Private Housing Activity

(Millions of units, seasonally adjusted; annual rate except as noted)

Sector	2008	2008		2009			
		Q3	Q4	Q1	Jan.	Feb.	Mar.
<i>All units</i>							
Starts	.91	.88	.66	.52	.49	.57	.51
Permits	.89	.87	.63	.54	.53	.56	.51
<i>Single-family units</i>							
Starts	.62	.60	.46	.36	.36	.36	.36
Permits	.57	.56	.42	.36	.34	.39	.36
Adjusted permits ¹	.58	.57	.43	.37	.35	.40	.37
Permit backlog ²	.068	.082	.068	.060	.064	.062	.060
New homes							
Sales	.49	.46	.39	n.a.	.32	.34	n.a.
Months' supply ³	10.65	10.64	11.35	n.a.	12.67	11.75	n.a.
Existing homes							
Sales	4.35	4.43	4.23	n.a.	4.05	4.23	n.a.
Months' supply ³	9.98	9.56	9.79	n.a.	9.99	9.66	n.a.
<i>Multifamily units</i>							
Starts	.284	.273	.198	.166	.132	.214	.152
Permits	.323	.308	.215	.174	.195	.174	.152
Permit backlog ²	.053	.062	.053	.050	.055	.052	.050
<i>Mobile homes</i>							
Shipments	.082	.080	.066	n.a.	.054	.051	n.a.
<i>Condos and co-ops</i>							
Existing home sales	.563	.573	.506	n.a.	.440	.490	n.a.

1. Adjusted permits equal permit issuance plus total starts outside of permit-issuing areas.

2. Number outstanding at end of period. Excludes permits that have expired or have been canceled, abandoned, or revoked. Not at an annual rate.

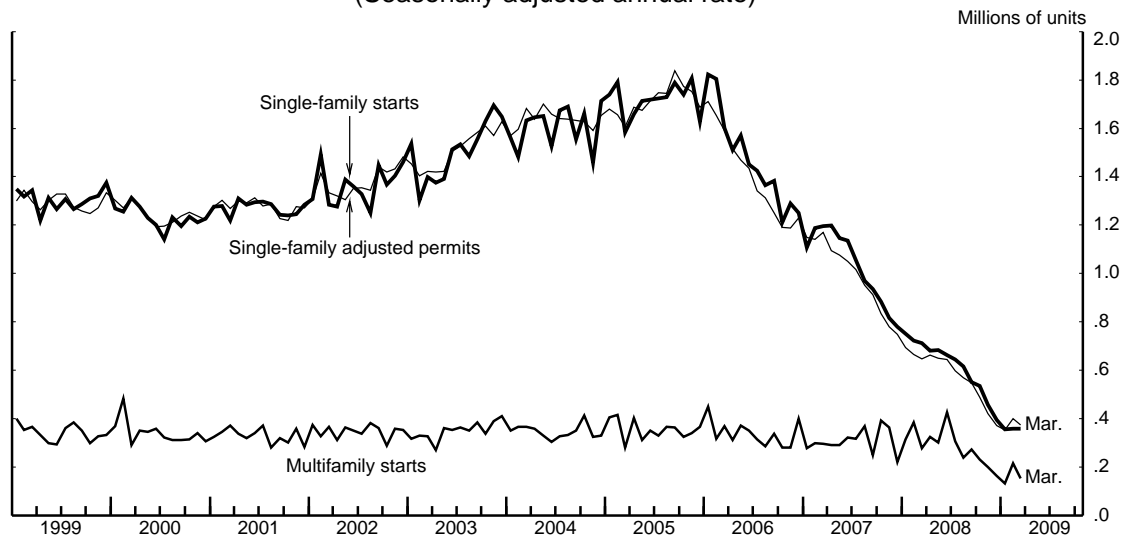
3. At current sales rate; expressed as the ratio of seasonally adjusted inventories to seasonally adjusted sales. Quarterly and annual figures are averages of monthly figures.

n.a. Not available.

Source: Census Bureau.

Private Housing Starts and Permits

(Seasonally adjusted annual rate)



Note: Adjusted permits equal permit issuance plus total starts outside of permit-issuing areas.

Source: Census Bureau.

Despite the recent relative stability of consumer spending, the fundamentals for this sector generally remain weak. Ongoing job losses have contributed to a sharp drop in wages and salaries in recent months, although disposable income (DPI) was boosted last quarter by several transitory factors, including tax cuts and transfers implemented as part of the latest fiscal stimulus package. DPI was also lifted by a sharp decline in personal tax payments, although this is likely the result of lower capital gain realizations last year. Moreover, house prices have continued to fall, and despite the recent increase in the stock market, equity prices have come down sharply over the past year. Meanwhile, although interest rates on auto loans and the availability of credit for vehicle purchases have improved recently, rates on credit cards remain very high, and survey data from the April Senior Loan Officer Opinion Survey on Bank Lending Practices suggest that banks continued to tighten standards on household loans in the first quarter.

As measured by the Reuters/Michigan survey, consumer sentiment turned up in early April as households expressed somewhat more optimism about long-term economic conditions. That said, the early-April reading was only slightly above the historical low for the series, which was recorded last November.

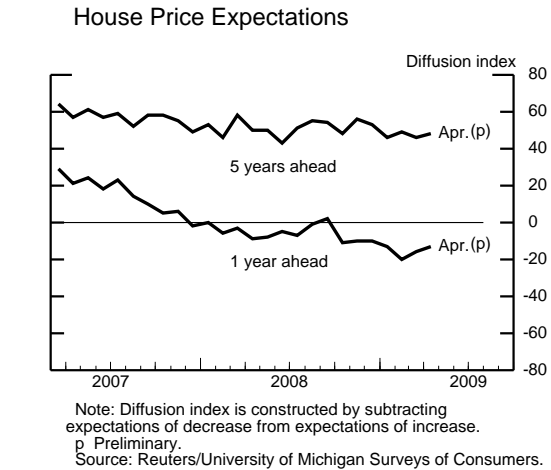
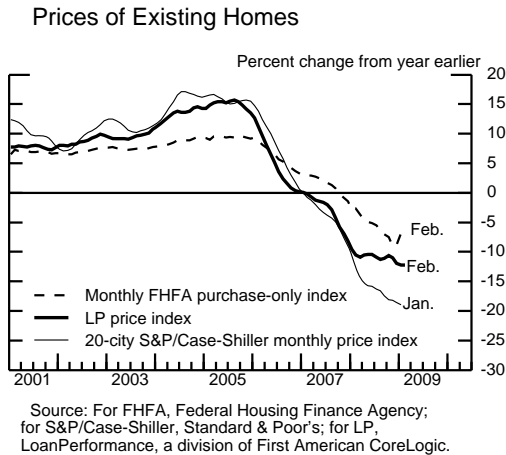
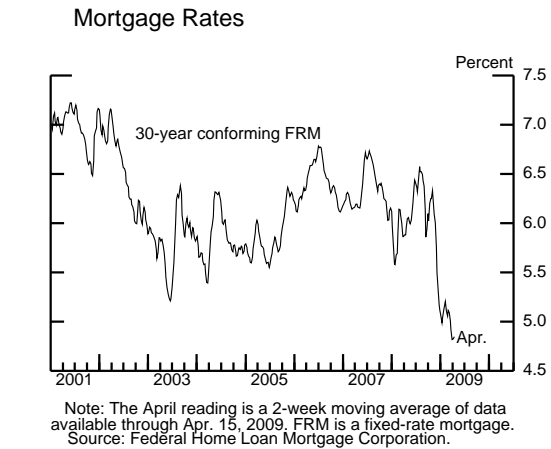
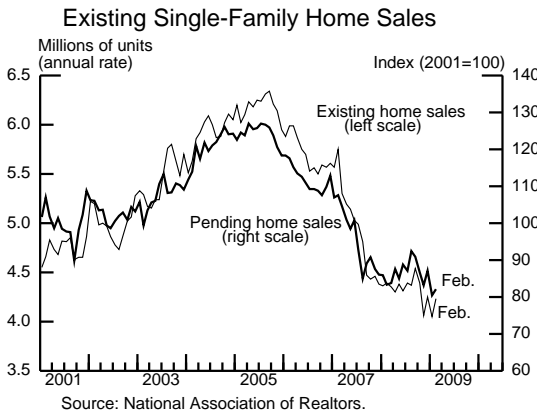
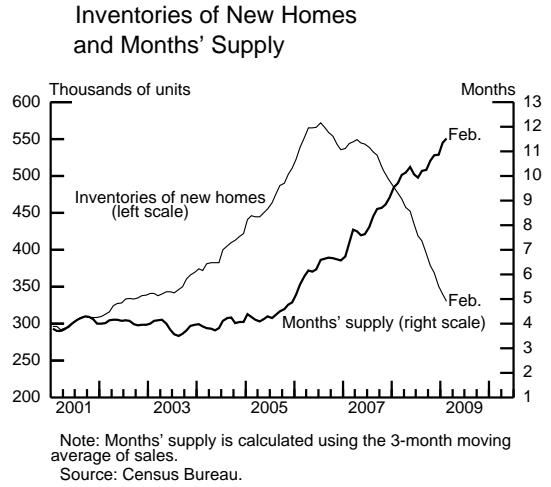
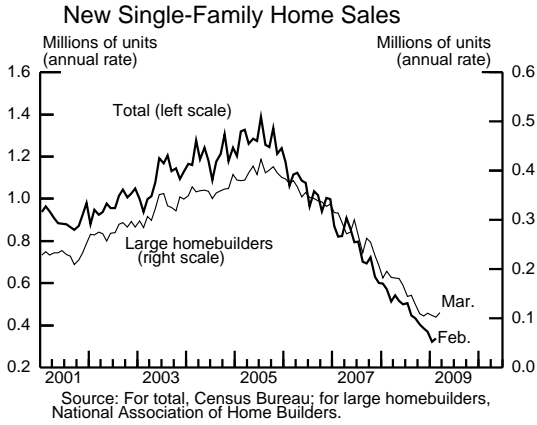
Housing

The latest readings from the housing market suggest that the steep contraction in housing activity may have begun to moderate. Single-family housing starts flattened out in February and March, and adjusted permit issuance in this sector—a useful month-ahead indicator of starts—remained a touch above starts in March. The contraction in the multifamily sector may also have slowed recently: The 16 percent decline in starts in the first quarter of the year was well below the pace of decline experienced during the fourth quarter of 2008. However, given the volatility of this series, we are hesitant to place too large a weight on a single quarter of data.

The recent data also suggest that housing demand may have stabilized. Sales of new single-family homes edged up nearly 5 percent in February,

. Nevertheless, the level of new home sales remains very low, and even with the stock of unsold new single-family homes dropping in February to its lowest level since mid-2002, the months' supply of new homes at the three-month average pace of sales remains very high.

Indicators of Single-Family Housing



In the market for existing single-family homes, sales have been hovering around the 4 million unit mark since November 2008. Existing home sales held up comparatively well over this period relative to new home sales, reflecting, in part, increases in foreclosure-related and other distressed sales.⁵ According to the National Association of Realtors, the share of foreclosure-related sales has about doubled over the past year to more than 40 percent of transactions in February. The increase in foreclosure-related properties on the market appears to have increased affordability, as the states where existing home sales seem to have been most supported by strong increases in foreclosure-related sales—California, Florida, Nevada, and Arizona—also saw the largest house price declines over 2008.

More generally, lower mortgage rates and falling house prices have contributed to an improvement in housing affordability. Since early March, rates for conforming 30-year fixed-rate mortgages have fallen another 30 basis points, thereby bringing the total decline since October 2008 to about 160 basis points. Rates on jumbo loans have come down as well, although the spread between the rates on jumbo and conforming loans remains quite elevated, and the market for private-label nonprime mortgages remains closed.⁶ National house prices remain on a downward trajectory. The repeat-sales price index for existing single-family homes calculated by LoanPerformance fell 12 percent over the 12 months ending in February, a slightly greater decline than over the previous 12-month period.⁷ These declines improve affordability but also may deter some potential buyers worried about purchasing in a falling market: Evidence from the Reuters/Michigan survey and anecdotal reports suggest that a preponderance of households expect prices to fall in the coming year, although over the past few months, the share of households expecting a depreciation has shrunk.

⁵ Although the data on existing home sales include only sales handled by real estate agents, many foreclosure-related sales are included in the statistics on existing home sales because banks frequently hire real estate agents to sell repossessed properties.

⁶ Although the FHA has offered an alternative source of mortgage financing for some higher-risk borrowers, the FHA's relatively strict lending standards and higher costs suggest that such lending is likely to have replaced only a part of the reduction in credit from private sources.

⁷ Unlike the Federal Housing Finance Agency's index (formerly known as the OFHEO index, calculated by the Office of Federal Housing Enterprise Oversight), the LoanPerformance (LP) index includes both conforming and nonconforming loans. In addition, the LP index has better geographic coverage than the S&P/Case-Shiller (CS) index. The LP and CS indexes showed similar movements from 2002 to 2007, but more recently the LP index has declined less than the CS index.

Orders and Shipments of Nondefense Capital Goods

(Percent change; seasonally adjusted current dollars)

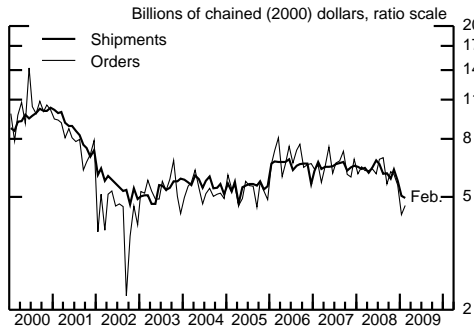
Category	2008			2009	
	Q3	Q4	Dec.	Jan.	Feb.
	Annual rate			Monthly rate	
Shipments	-8	-19.8	2.6	-6.6	-2.5
Excluding aircraft	-3	-15.5	.1	-9.4	.6
Computers and peripherals	-28.7	-25.3	7.5	-2.0	1.3
Communications equipment	-10.7	-16.6	-8.8	-10.4	-2.6
All other categories ¹	4.0	-14.4	.3	-9.9	.8
Orders	-14.0	-49.9	-10.3	-9.9	7.9
Excluding aircraft	-5.2	-36.5	-5.9	-12.3	7.1
Computers and peripherals	-36.6	-20.8	-5.8	-9.9	11.4
Communications equipment	16.7	-28.7	-8.4	-20.3	6.9
All other categories ¹	-3.5	-38.4	-5.7	-11.7	6.7
Memo: Shipments of complete aircraft ²	38.1	26.0	44.9	50.5	30.3

1. Excludes most terrestrial transportation equipment.

2. From Census Bureau, Current Industrial Reports; billions of dollars, annual rate.

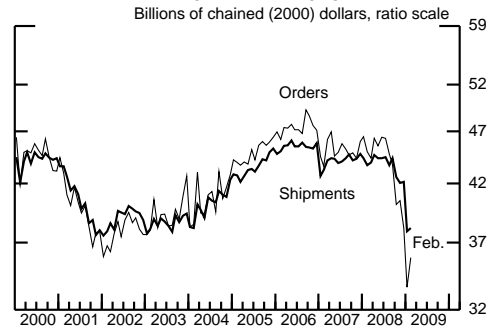
Source: Census Bureau.

Communications Equipment



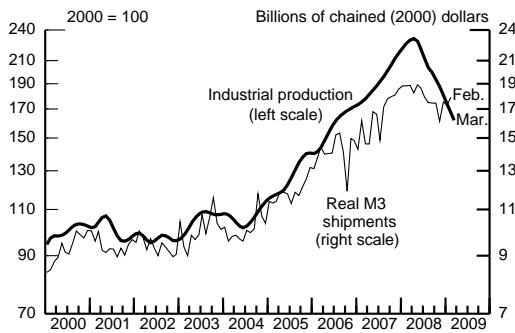
Note: Shipments and orders are deflated by a price index that is derived from the quality-adjusted price indexes of the Bureau of Economic Analysis and uses the producer price index for communications equipment for monthly interpolation.
Source: Census Bureau.

Non-High-Tech, Nontransportation Equipment



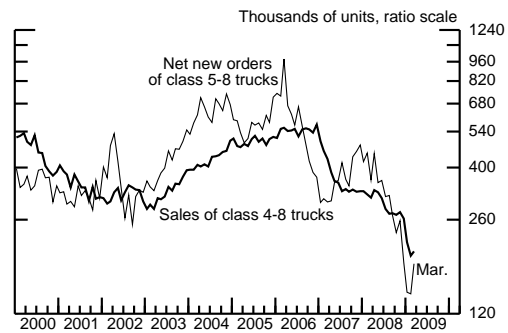
Note: Shipments and orders are deflated by the staff price indexes for the individual equipment types included in this category. Indexes are derived from the quality-adjusted price indexes of the Bureau of Economic Analysis.
Source: Census Bureau.

Computers and Peripherals



Note: Ratio scales. Shipments are deflated by the staff price index for computers and peripheral equipment, which is derived from the quality-adjusted price indexes of the Bureau of Economic Analysis.
Source: Census Bureau; FRB Industrial Production.

Medium and Heavy Trucks



Note: Annual rate, FRB seasonals.
Source: For sales, Ward's Communications; for orders, ACT Research.

Equipment and Software

Real spending on equipment and software (E&S) appears to have dropped precipitously in the first quarter, with declines about as steep and widespread as in the fourth quarter. Orders and shipments of nondefense capital goods excluding aircraft moved down sharply, on net, over the first two months of the year. Moreover, with new orders running well below shipments for the sixth consecutive month in February, the backlog of unfilled orders continued to shrink.

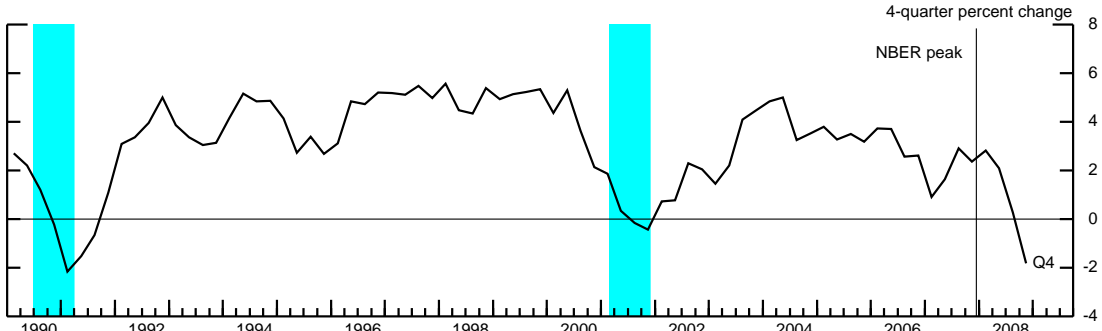
With regard to transportation equipment, business outlays for motor vehicles posted another steep decline in the first quarter. Although deliveries of light vehicles to rental car companies recovered some in February and March after having plunged in January, demand for light vehicles from other businesses has softened further, on balance, so far this year. Sales of medium and heavy trucks tumbled in the first quarter, and new orders were sharply lower, an indication that sales may slow even further in coming months. However, data on aircraft shipments through February and on Boeing deliveries through March suggest that business purchases of aircraft bounced back in the first quarter after being held down in the fourth quarter by the Boeing machinists' strike.

Real business outlays for high-tech E&S appear to have dropped sharply again last quarter. Orders and shipments of communications equipment plummeted, on net, over January and February. Indicators of demand for computers and peripherals were more mixed: IP for computers fell at an annual rate of about 35 percent in the first quarter, and imports of high-tech equipment fell substantially more than exports through February, the most recent month of data available. However, nominal orders and shipments of computers and peripheral equipment from the Census Bureau survey were little changed, on average, in the first two months of the quarter. The first-quarter NABE survey suggests less gloomy prospects for spending on high-tech E&S: The survey's measure of high-tech capital expenditures plans has moved up since the fourth quarter.

After having plunged in the fourth quarter, real spending on equipment other than transportation and high-tech appears to have dropped even more steeply in the first quarter. Orders fell sharply in January, as did shipments, which then firmed only a bit in February. Orders now stand nearly 6 percent below shipments, a sign of further declines in the coming months.

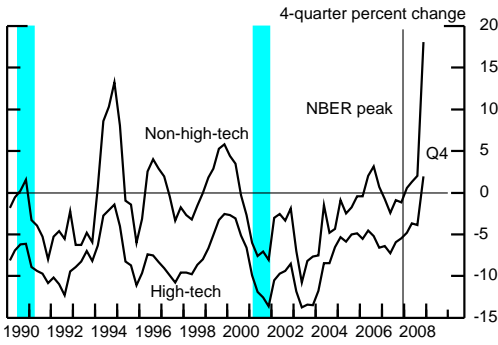
Fundamentals of Equipment and Software Investment

Real Business Output



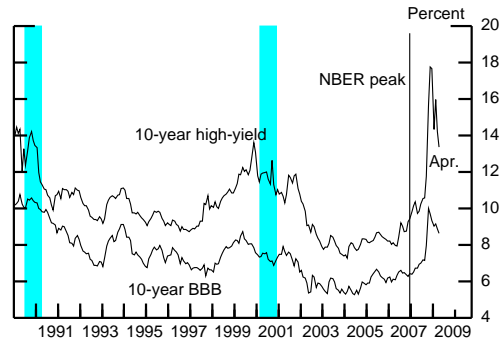
Note: Shaded bars indicate periods of business recession as defined by the National Bureau of Economic Research (NBER). The NBER peak is the last business cycle peak as defined by the NBER.
 Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

User Cost of Capital



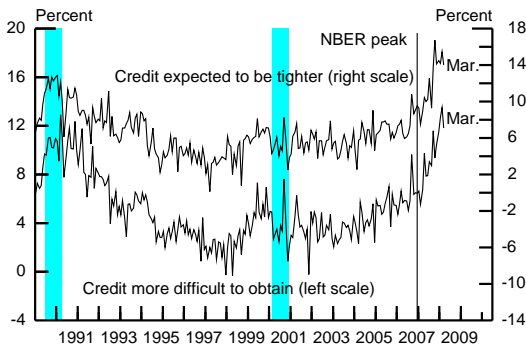
Source: Staff calculation.

Corporate Bond Yields



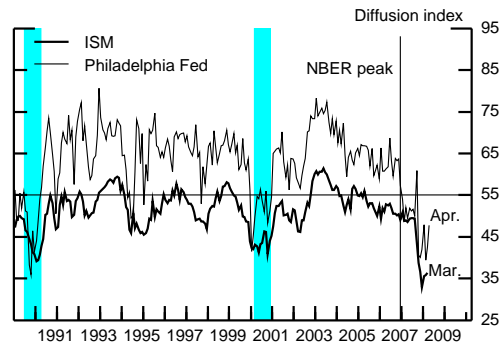
Note: End of month. April value as of Apr. 21.
 Source: Merrill Lynch.

NFIB: Survey on Loan Availability



Note: Of borrowers who sought credit in the past three months, the proportion that reported or expected more difficulty in obtaining credit less the proportion that reported or expected more ease in obtaining credit. Seasonally adjusted.
 Source: National Federation of Independent Business (NFIB).

Surveys of Business Conditions



Source: Institute for Supply Management (ISM), Manufacturing ISM Report on Business; Philadelphia Fed Business Outlook Survey.

The fundamental determinants of investment in E&S remain very weak. Business output contracted steeply in the fourth quarter and appears to have dropped considerably further last quarter. In addition, credit availability remains tight. In the March NFIB survey, a large share of small businesses continued to report difficulties in securing credit. In the latest Senior Loan Officer Opinion Survey, a preponderance of firms continued to report tightening their lending standards on business loans, although the net fraction of banks doing so has receded somewhat from the peak reported in the October 2008 survey. On a more positive note, after spiking to high levels in the fourth quarter, bond yields have edged down since the beginning of the year. In addition, recent survey measures of business conditions and capital spending plans have moved up, albeit modestly, from the very low levels occupied in recent months.

Nonresidential construction

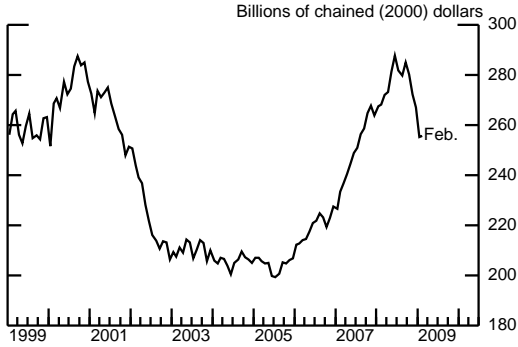
Real spending on nonresidential structures turned down late last year, and nominal construction expenditures on nonresidential buildings (that is, structures other than those for drilling and mining) suggest that real outlays contracted further in the first quarter. In real terms, investment declined for most types of buildings over the first two months of the year. One exception is spending related to petroleum refining (a subcategory of the manufacturing sector), which has continued to increase. However, trade reports have indicated that some renovations of petroleum refineries that were already under way have been canceled or delayed recently, resulting, in part, from the plunge in energy prices in the second half of last year. The dramatic drop in energy prices has also led to less investment in drilling and mining structures. Real spending on these structures flattened out in the fourth quarter of 2008 after eight years of substantial increases, and the latest data on drilling activity suggest that investment in this sector dropped steeply in the first few months of this year.

Outside of energy-related construction, the indicators of nonresidential investment have deteriorated further. Vacancy rates moved higher in the first quarter, the architectural billings index remained low in March, and declines in nonresidential construction employment have steepened. In addition, credit markets for commercial real estate remain quite strained: The market for CMBS is closed, bank lending for commercial construction contracted in the first quarter, and the April Senior Loan Officer Opinion Survey suggested that financing for new projects has become even more difficult to obtain. However, the proportion of banks that reported tightening their standards on CRE loans fell back in April.

Nonresidential Construction and Indicators

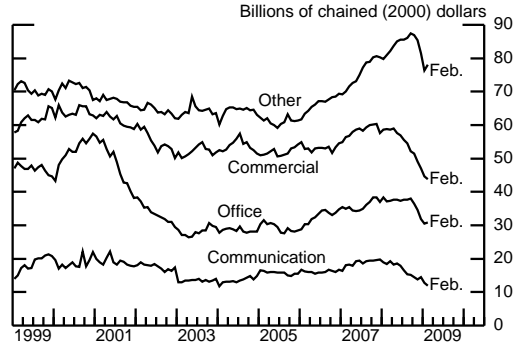
(All spending series are seasonally adjusted at an annual rate; nominal CPIP deflated by BEA prices through Q4 and by staff projection thereafter)

Total Structures



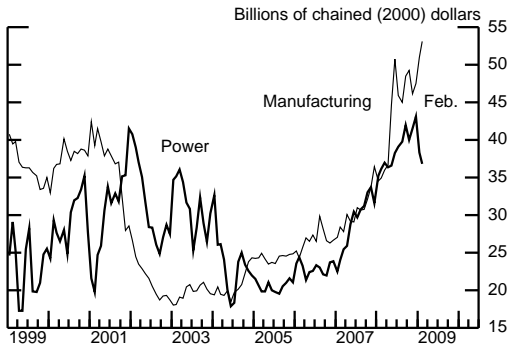
Source: Census Bureau.

Office, Commercial, Communication, and Other



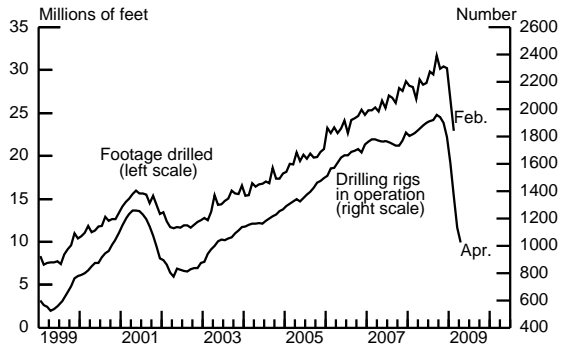
Note: Other consists of structures for religious organizations, education, lodging, amusement and recreation, transportation, and health care.
Source: Census Bureau.

Manufacturing and Power



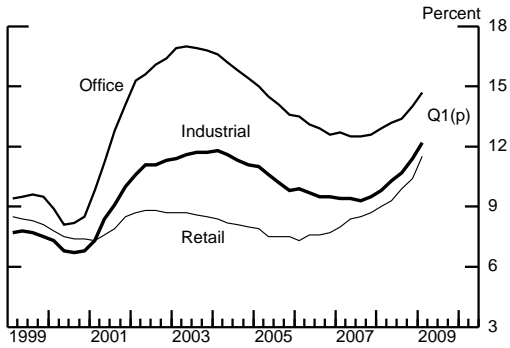
Source: Census Bureau.

Drilling and Mining Indicators



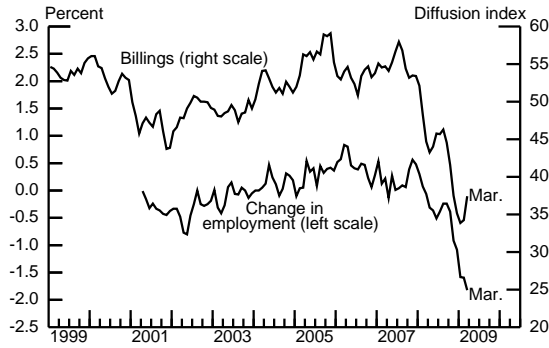
Note: The April readings for drilling rigs are based on data through April 17, 2009. Both series are seasonally adjusted by FRB staff.
Source: For footage drilled, U.S. Department of Energy, Energy Information Agency; for drilling rigs, Baker Hughes.

Vacancy Rates



Note: Industrial space includes both manufacturing structures and warehouses.
p Preliminary.
Source: Torfo Wheaton Research.

Architectural Billings and Nonresidential Construction Employment



Note: Both series are 3-month moving averages. Employment consists of industrial, commercial, and specialty trade construction.
Source: For billings, American Institute of Architects; for employment, U.S. Department of Labor, Bureau of Labor Statistics.

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

Measure and sector	2008				2009	
	Q2	Q3	Q4	Dec.	Jan.	Feb.
<i>Real inventory investment (chained 2000 dollars)</i>						
Total nonfarm business	-55.1	-33.3	-31.1	...	...	...
Motor vehicles	-10.9	8.1	-7.1	...	...	...
Nonfarm ex. motor vehicles	-44.2	-41.3	-23.9	...	...	...
Manufacturing and trade ex. wholesale and retail motor vehicles and parts						
Manufacturing	-24.1	-16.8	-19.9	-52.2	33.4^e	n.a.
Manufacturing	-26.0	-25.6	-7	-23.6	13.7 ^e	n.a.
Wholesale trade ex. motor vehicles & parts	4.9	10.4	-1	-6.6	28.1 ^e	n.a.
Retail trade ex. motor vehicles & parts	-3.1	-1.6	-19.1	-22.1	-8.3 ^e	n.a.
<i>Book-value inventory investment (current dollars)</i>						
Manufacturing and trade ex. wholesale and retail motor vehicles and parts	86.9	40.0	-159.3	-246.0	-127.1	-128.5
Manufacturing	39.3	10.7	-65.2	-123.2	-73.6	-74.2
Wholesale trade ex. motor vehicles & parts	37.9	18.5	-55.7	-74.3	-26.8	-38.6
Retail trade ex. motor vehicles & parts	9.6	10.9	-38.3	-48.5	-26.7	-15.7

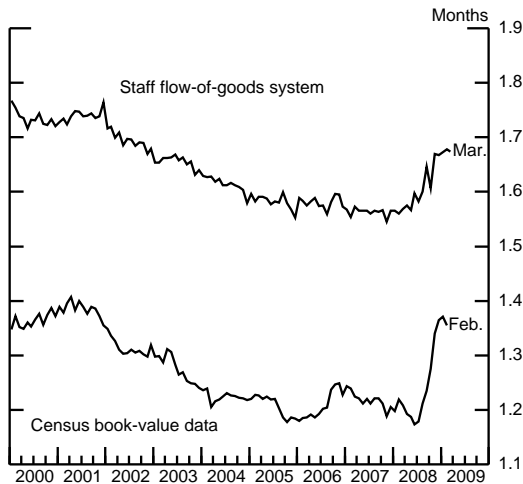
n.a. Not available.

... Not applicable.

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

Source: For real inventory investment, U.S. Dept. of Commerce, Bureau of Economic Analysis; for book-value data, Census Bureau.

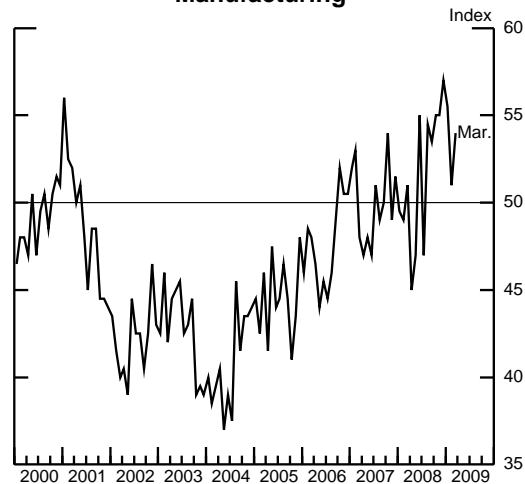
Inventory Ratios ex. Motor Vehicles



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.

Source: Census Bureau; staff calculation.

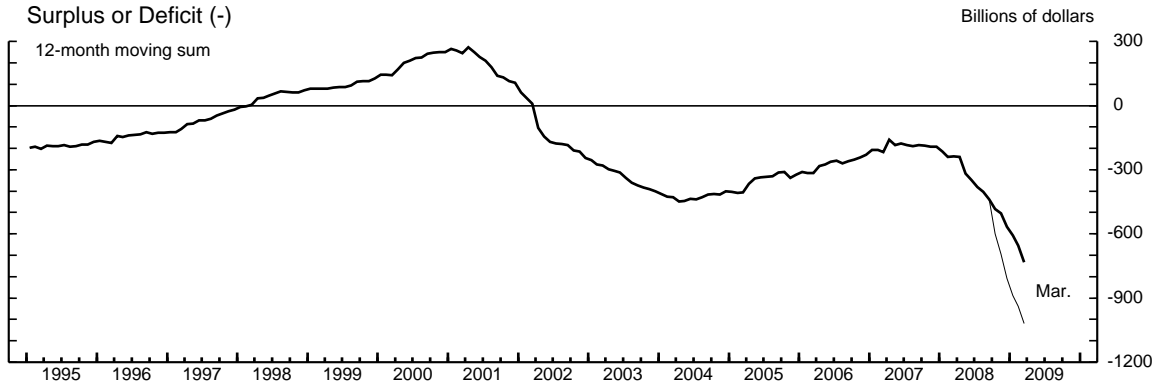
ISM Customers' Inventories: Manufacturing



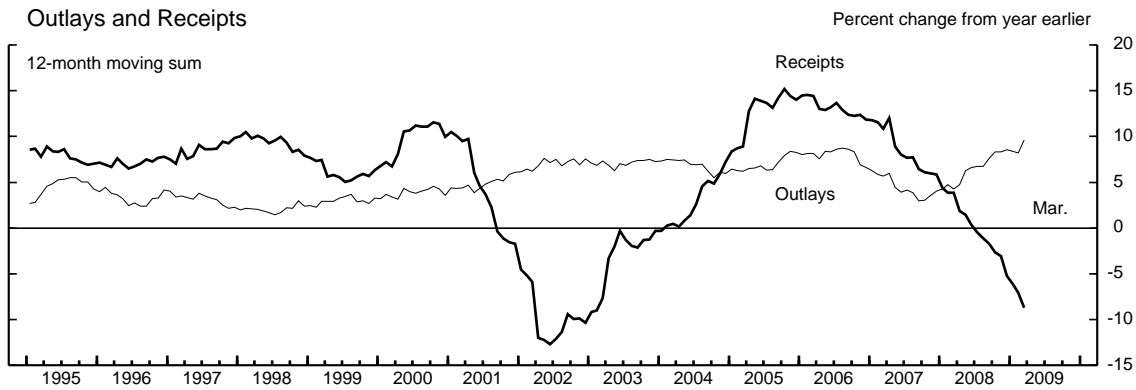
Note: A number above 50 indicates inventories are "too high."

Source: Institute for Supply Management (ISM), Manufacturing ISM Report on Business.

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



Note: Thin line includes deficit effects of financial transactions related to Troubled Asset Relief Program (TARP) and government-sponsored enterprise equity purchase programs.



Recent Federal Outlays and Receipts

(Billions of dollars except as noted; adjusted for payment-timing shifts and financial transactions)

Function or source	Sum of January-March			12 months ending in March		
	2008	2009	Percent change	2008	2009	Percent change
Outlays						
Net interest	64.3	40.1	-37.6	252.1	217.4	-13.8
National defense	147.4	154.6	4.9	587.1	647.8	10.3
Major transfers ¹	430.8	505.8	17.4	1,554.0	1,755.7	13.0
Other	113.1	123.6	9.2	435.8	479.2	9.9
Receipts						
Individual income and payroll taxes	451.9	397.3	-12.1	2,023.8	1,925.8	-4.8
Corporate income taxes	36.9	5.9	-84.1	345.7	231.1	-33.2
Other	50.9	39.3	-22.8	223.2	210.6	-5.6
Surplus or deficit (-)	-215.8	-381.6	...	-236.4	-732.5	...
Memo:						
Unadjusted surplus or deficit (-)	-205.9	-471.6	...	-215.9	-1,098.8	...

1. Includes Social Security, Medicare, Medicaid, and income security programs.
... Not applicable.

Business Inventories

Despite the sizable cuts in production recorded in recent quarters, inventories remained excessive early this year. As a result, firms have continued their efforts to reduce their stocks of inventories: The level of real nonfarm inventories fell about \$31 billion in the last quarter of 2008, and motor vehicle inventories fell very sharply in the first quarter of this year. Outside of motor vehicles, the BEA estimates that real inventories rose in January, but book-value data point to a decline in February. Furthermore, in the staff's flow-of-goods (FOG) system, real inventories are estimated to have declined sharply in February and March. Nevertheless, both the Census and FOG systems measures of months' supply remain elevated. Finally, the Institute for Supply Management's index of customers' inventories indicates that a majority of respondents continue to view their customers' inventory positions as too high in March, although the overhang appears to be a bit less severe than it was, on average, in late 2008 and early 2009.

Federal Government Sector

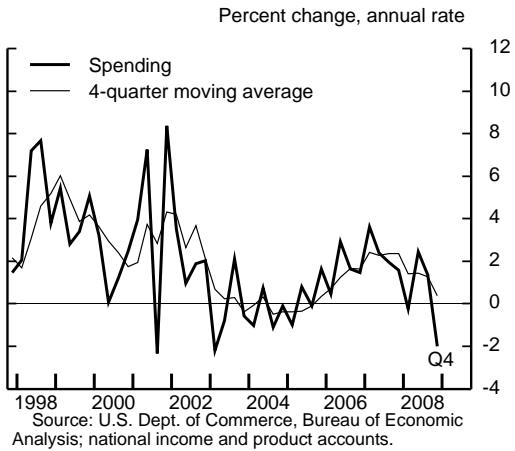
The federal unified budget deficit deteriorated further in March, as receipts fell sharply and total outlays soared relative to a year earlier. As a result, the deficit for the 12 months ending in March totaled \$1.1 trillion, compared with \$200 billion for the previous 12 months. The total deficit included \$384 billion in outlays related to TARP, capital injections into Fannie Mae and Freddie Mac, and deposit insurance.

Federal outlays during the January-March period, excluding major financial transactions and adjusting for payment-timing shifts, were 9 percent higher than in the same period a year earlier. Transfer payments were 17 percent higher, largely reflecting increased unemployment insurance benefits (due to both higher unemployment and the extended benefits program) and a jump in Medicaid payments to the states as a result of the stimulus legislation. Defense outlays, which had been rising at a double-digit pace over the past year, were only 5 percent above the year-earlier level. Real defense spending in the national income accounts probably fell in the first quarter, relative to the fourth quarter of last year.

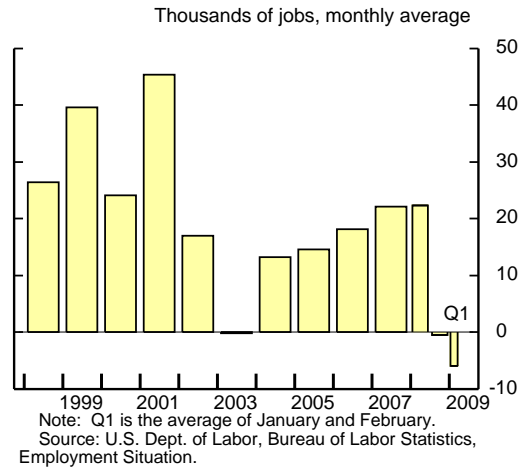
Federal receipts in the January-March period were 18 percent lower than in the same period last year. Relative to the year-earlier period, individual income and payroll taxes fell 12 percent, as individual income taxes fell sharply and payroll taxes only edged down slightly. Over the same period, net corporate income taxes fell 84 percent because of both the falloff in corporate profits and the partial-expensing provision. Gross corporate income tax payments in March, which include final settlements on 2008 income, fell

State and Local Indicators

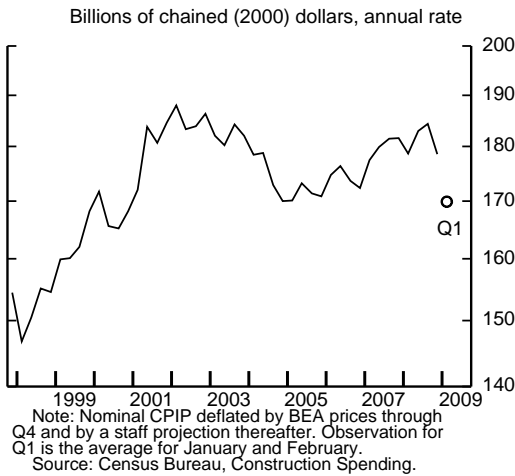
Real Spending on Consumption & Investment



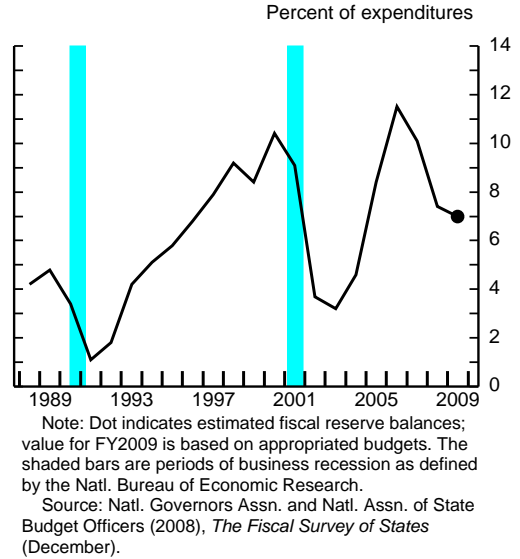
Net Change in Employment



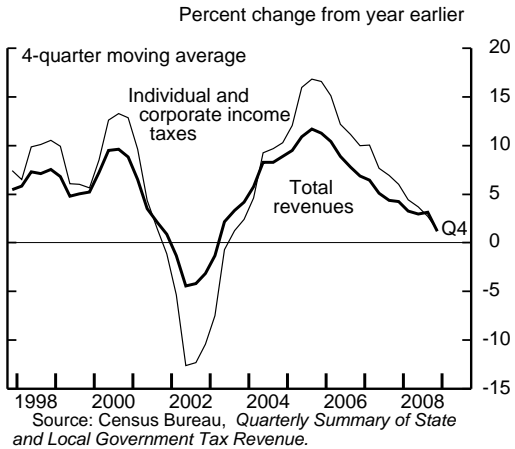
Real Construction



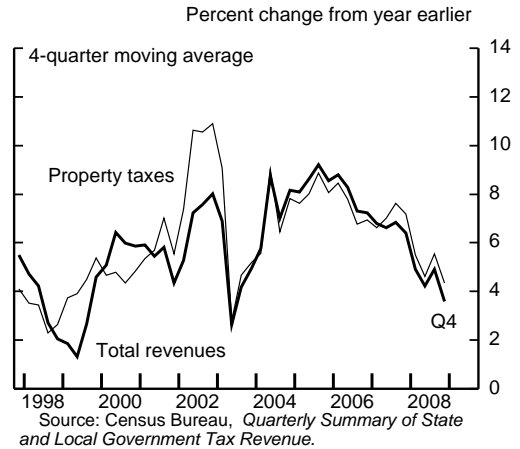
State Fiscal Reserve Balances at Year-End



State Revenues



Local Revenues



31 percent, and daily data indicate that April payments, which are mostly the first quarterly installment on 2009 income, dropped even more sharply.

The House and Senate passed budget resolutions that propose neither substantial additional spending nor significant changes to tax laws over 2009-10, although they propose that most of the expiring tax cuts be extended after 2010. The congressional leadership plans to hammer out a conference agreement on the budget resolution and to begin work on a fiscal 2009 supplemental spending bill for the wars in Iraq and Afghanistan, disaster relief, and other items.

State and Local Government Sector

Incoming data suggest that conditions in the state and local sector are continuing to deteriorate. Employment fell an average of 6,000 per month in the first quarter following job losses averaging 3,000 per month in the fourth quarter. Job losses in the first quarter were concentrated in local governments outside of education. The value of nominal construction spending put in place averaged \$275 billion at an annual rate in January and February, a sharp drop-off from the \$287 billion spent on construction in the fourth quarter.

According to the Census Bureau's *Quarterly Summary of State and Local Government Tax Revenue*, the rise in tax revenues in both the state and local sectors has continued to slow during 2008. Total state revenues were just 1¼ percent above their year-earlier level, while local tax revenues were only up about 3½ percent; in comparison, revenue increases were 4¼ percent for states and 6½ percent for localities in 2007.

Prices

Overall consumer prices moved up, on balance, in the first quarter after having fallen sharply in the fourth quarter, as energy prices rebounded somewhat from their late-year plunge and core goods prices picked up. We estimate that total PCE prices were flat in March after rising 0.3 percent in both January and February and that, for the third consecutive month, core PCE prices rose 0.2 percent last month.⁸ Taking a somewhat longer perspective, the 12-month percent changes in both total and core PCE prices, at 0.7 percent and 1.9 percent respectively, were noticeably below those of a year ago. In addition, prices for goods at earlier stages of production have continued to move down.

⁸ PCE prices for March are staff estimates based on data from the CPI and PPI releases.

Price Measures
(Percent change)

Measures	12-month change		3-month change		1-month change	
	Mar. 2008	Mar. 2009	Annual rate		Monthly rate	
			Dec. 2008	Mar. 2009	Feb. 2009	Mar. 2009
<i>CPI</i>						
Total	4.0	-4	-12.4	2.2	.4	-1
Food	4.5	4.4	2.5	-.8	-.1	-.1
Energy	17.0	-23.0	-76.7	7.9	3.3	-3.0
Ex. food and energy	2.4	1.8	.2	2.2	.2	.2
Core goods	.0	.4	-2.4	3.8	.4	.4
Core services	3.3	2.3	1.2	1.5	.1	.1
Shelter	3.0	1.5	1.3	.1	-.1	-.1
Other services	3.7	3.5	1.3	2.6	.3	.1
Chained CPI (n.s.a.) ¹	3.6	-.8	...	...	...	...
Ex. food and energy ¹	2.0	1.3	...	...	...	...
<i>PCE prices</i> ²						
Total	3.4	.7	-7.7	2.4	.3	.0
Food and beverages	4.3	4.9	3.9	-.3	-.1	-.1
Energy	18.0	-23.4	-78.0	7.2	3.3	-3.2
Ex. food and energy	2.2	1.9	.3	2.6	.2	.2
Core goods	-.3	.9	-1.9	4.7	.5	.5
Core services	3.2	2.3	1.2	1.9	.1	.1
Housing services	2.9	2.0	1.5	1.6	.1	.1
Other services	3.4	2.4	1.1	2.0	.2	.1
Core market-based	1.7	1.8	.2	2.6	.2	.2
Core non-market-based	4.3	1.9	.7	2.8	.3	.2
<i>PPI</i>						
Total finished goods	6.7	-3.5	-24.9	-.9	.1	-1.2
Food	5.8	-1.1	-4.8	-10.1	-1.6	-.7
Energy	20.4	-25.4	-76.7	-2.7	1.3	-5.5
Ex. food and energy	2.5	3.8	2.6	2.6	.2	.0
Core consumer goods	3.0	4.2	2.7	3.4	.4	.1
Capital equipment	1.8	3.4	2.6	1.5	.1	-.2
Intermediate materials	10.7	-8.9	-39.7	-11.7	-.9	-1.5
Ex. food and energy	5.8	-1.6	-23.6	-7.7	-.6	-.3
Crude materials	29.7	-39.0	-78.0	-27.2	-4.5	-.3
Ex. food and energy	16.7	-33.2	-81.7	-.4	1.5	-1.6

1. Higher-frequency figures are not applicable for data that are not seasonally adjusted (n.s.a.).

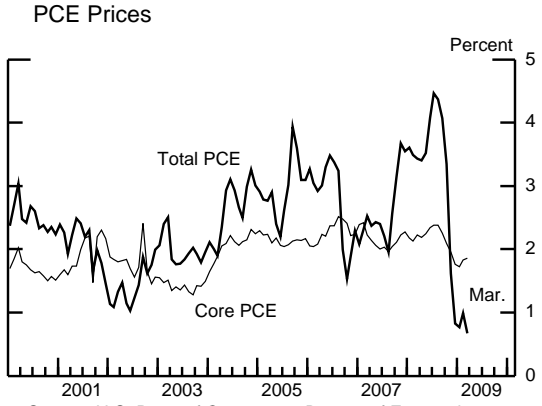
2. PCE prices in March 2009 are staff estimates.

... Not applicable.

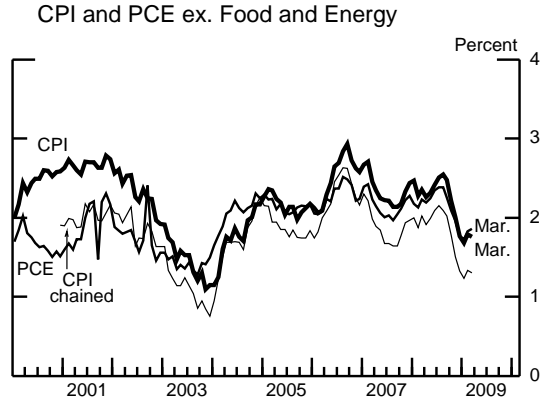
Source: For consumer price index (CPI) and producer price index (PPI), U.S. Dept. of Labor, Bureau of Labor Statistics; for personal consumption expenditures (PCE), U.S. Dept. of Commerce, Bureau of Economic Analysis.

Consumer Prices

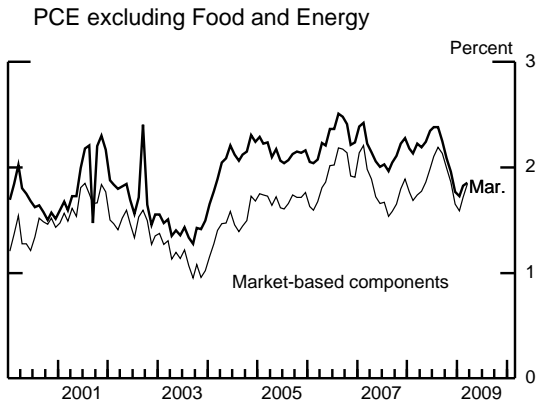
(12-month change except as noted; PCE prices in March are staff estimates)



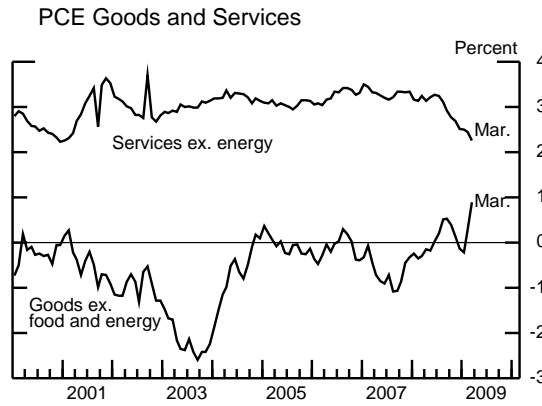
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.



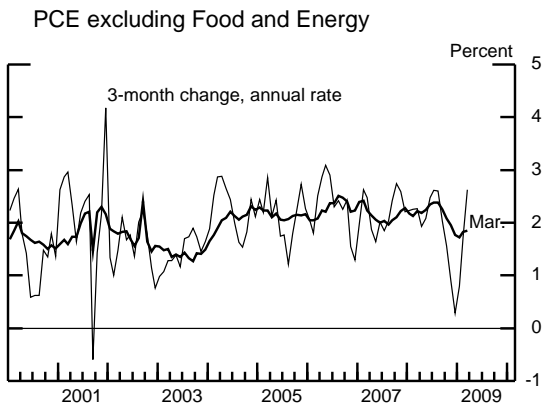
Source: For CPI, U.S. Dept. of Labor, Bureau of Labor Statistics; for PCE, U.S. Dept. of Commerce, Bureau of Economic Analysis.



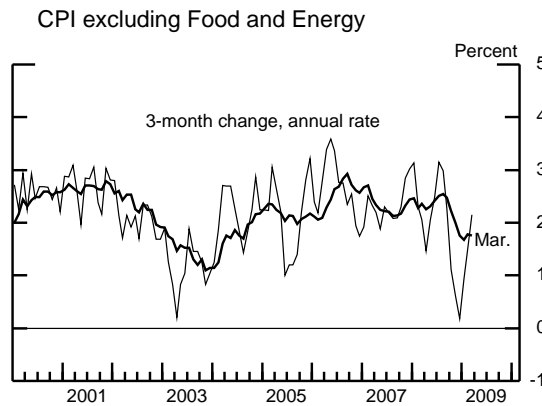
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.



Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.



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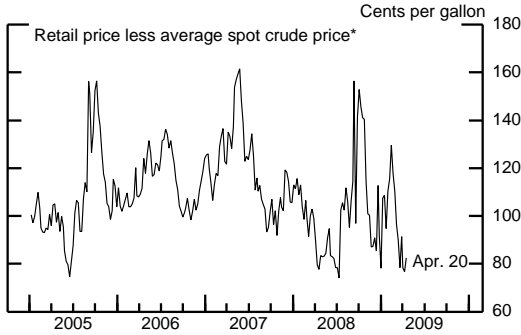


Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Energy and Food Price Indicators

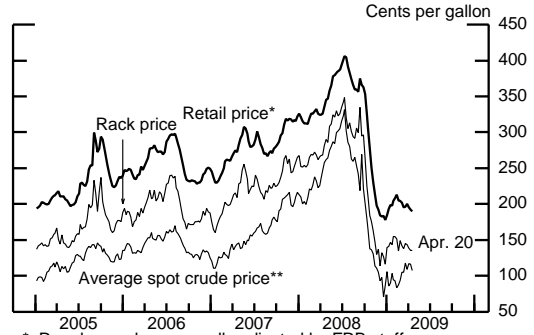
(Data from U.S. Department of Energy, Energy Information Administration, except as noted)

Total Gasoline Margin



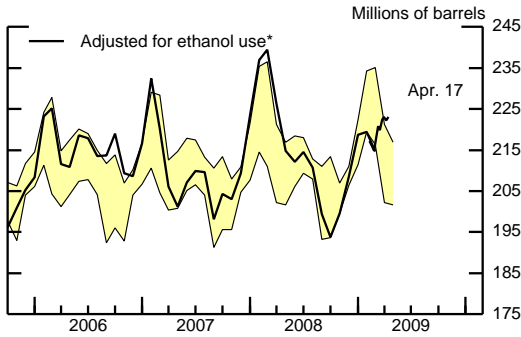
* Regular grade seasonally adjusted by FRB staff, less average spot crude price: 60% West Texas intermediate, 40% Maya heavy crude. Includes gasoline taxes.

Gasoline Price Decomposition



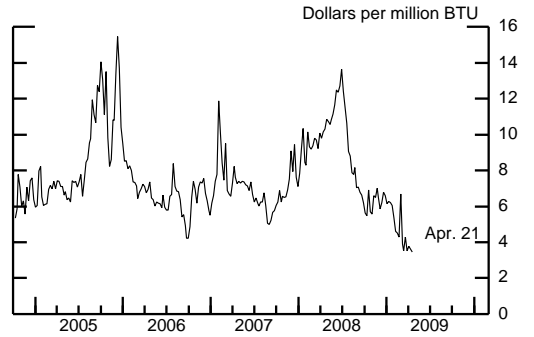
* Regular grade seasonally adjusted by FRB staff.
** 60% West Texas intermediate, 40% Maya heavy crude.

Gasoline Inventories



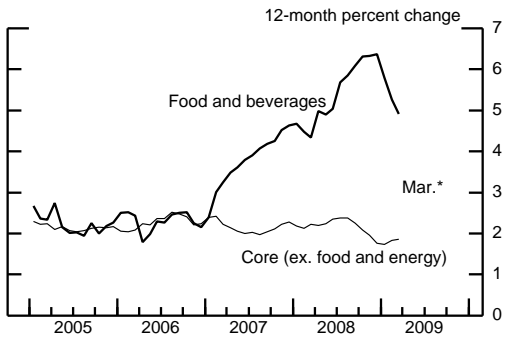
Note: Bounds are defined as the monthly mean over the preceding five years, plus or minus the standard deviation for each month. Monthly data through December 2008, weekly data thereafter.
* The RBOB component of total motor gasoline inventories is adjusted for ethanol use after 2006, boosting reported stocks; estimated by FRB staff.

Natural Gas Prices



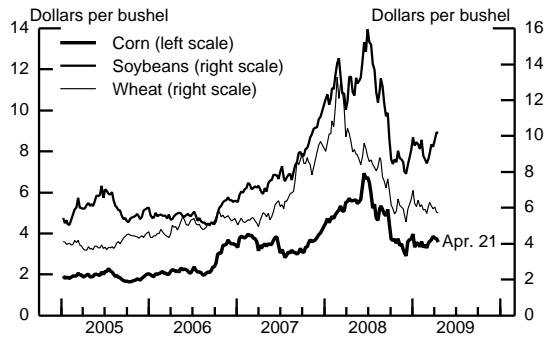
Note: National average spot price.
Source: Bloomberg.

PCE: Food and Core Prices



*Staff estimate.
Source: U.S. Dept. of Commerce, Bureau of Economic Analysis.

Spot Agricultural Commodity Prices



Source: Commodity Research Bureau.

Broad Measures of Inflation
(Percent change, Q4 to Q4)

Measure	2005	2006	2007	2008
<i>Product prices</i>				
GDP price index	3.5	2.8	2.6	2.0
Less food and energy	3.3	3.0	2.3	1.7
Nonfarm business chain price index	3.6	2.4	2.0	2.0
<i>Expenditure prices</i>				
Gross domestic purchases price index	4.0	2.5	3.3	2.0
Less food and energy	3.2	2.9	2.3	2.1
PCE price index	3.3	1.9	3.5	1.9
Less food and energy	2.2	2.3	2.2	1.9
PCE price index, market-based components	3.1	1.6	3.3	1.8
Less food and energy	1.7	2.0	1.8	1.8
CPI	3.8	1.9	4.0	1.5
Less food and energy	2.1	2.7	2.3	2.0
Chained CPI	3.2	1.7	3.6	1.1
Less food and energy	1.8	2.3	1.9	1.5
Median CPI	2.5	3.1	3.0	3.0
Trimmed mean CPI	2.6	2.6	2.8	2.9
Trimmed mean PCE	2.5	2.8	2.6	2.4

Source: For CPI, U.S. Dept. of Labor, Bureau of Labor Statistics; for all else, U.S. Dept. of Commerce, Bureau of Economic Analysis.

Surveys of Inflation Expectations
(Percent)

Period	Actual CPI inflation ¹	Reuters/Michigan Survey				Professional forecasters (10 years) ⁴	
		1 year ²		5 to 10 years ³		CPI	PCE
		Mean	Median	Mean	Median		
2007:Q2	2.7	4.2	3.3	3.5	3.0	2.4	2.0
Q3	2.4	4.1	3.2	3.5	3.0	2.4	2.1
Q4	4.0	4.1	3.3	3.3	2.9	2.4	2.1
2008:Q1	4.1	4.2	3.8	3.3	3.0	2.5	2.2
Q2	4.4	6.4	5.0	3.8	3.3	2.5	2.2
Q3	5.3	5.4	4.7	3.6	3.1	2.5	2.2
Q4	1.6	3.0	2.8	2.9	2.8	2.5	2.2
2009:Q1	.0	2.4	2.0	3.3	2.9	2.4	2.2
2008:Dec.	.1	1.7	1.7	2.6	2.6	...	...
2009:Jan.	.0	2.5	2.2	3.4	2.9	...	...
Feb.	.2	2.3	1.9	3.5	3.1	2.4	2.2
Mar.	-.4	2.4	2.0	2.9	2.6	...	...
2009:Apr.(p)	n.a.	3.4	3.0	2.8	2.7	...	...

1. Percent change from the same period in the preceding year.

2. Responses to the question, By about what percent do you expect prices to go up, on average, during the next 12 months?

3. Responses to the question, By about what percent per year do you expect prices to go up, on average, during the next 5 to 10 years?

4. Median CPI and PCE price projections.

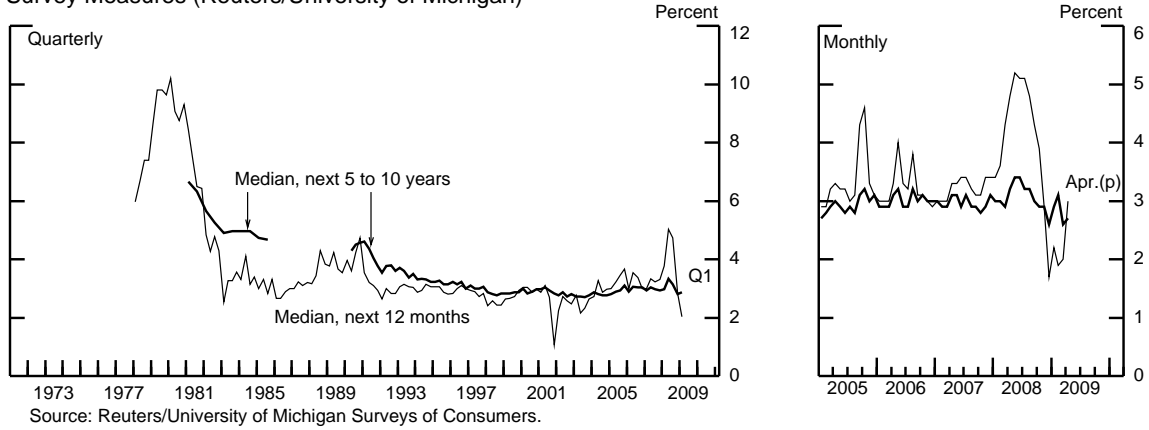
... Not applicable.

n.a. Not available.

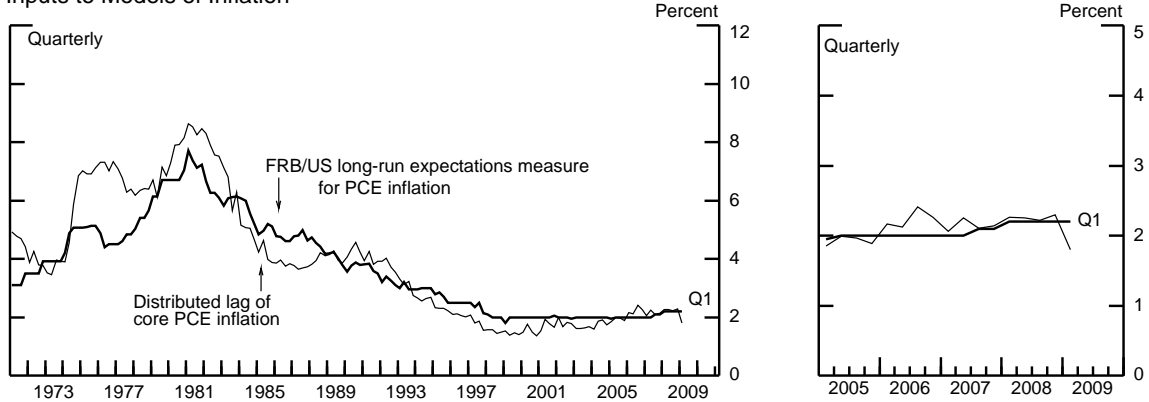
Source: For CPI, U.S. Dept. of Labor, Bureau of Labor Statistics; for Reuters/Michigan Survey, Reuters/University of Michigan Surveys of Consumers; for professional forecasters, the Federal Reserve Bank of Philadelphia.

Measures of Expected Inflation

Survey Measures (Reuters/University of Michigan)

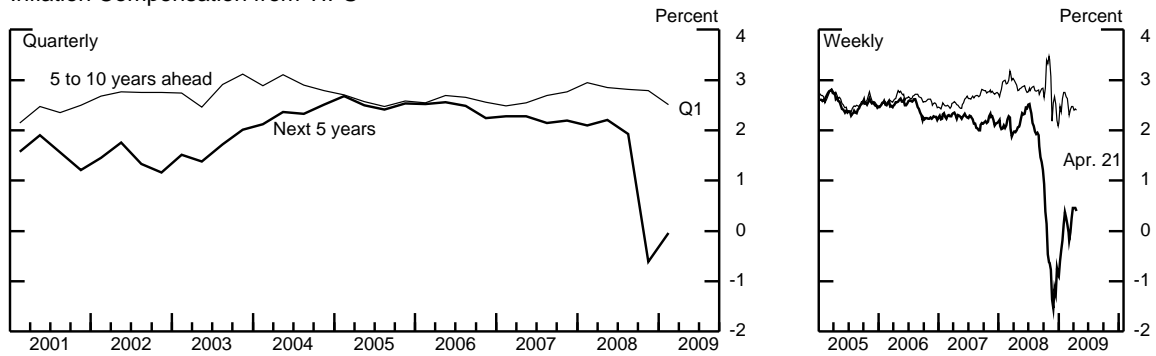


Inputs to Models of Inflation



Note: The distributed lag of core PCE inflation is derived from one of the reduced-form Phillips curves used by Board staff.
 Source: For the distributed lag of core PCE inflation, FRB staff calculations; for the FRB/US measure, for 2007 forward, the median projection for PCE inflation over the next 10 years from the Survey of Professional Forecasters (SPF); for 1990 to 2006, the equivalent SPF projection for the CPI; for 1981 to 1989, a related survey for the CPI conducted by Richard Hoey; and for the period preceding 1981, a model-based estimate constructed by Board staff. The survey data before 2007 are adjusted down 0.5 percentage point to put the CPI projections approximately on a PCE basis.

Inflation Compensation from TIPS



Note: Based on a comparison of an estimated TIPS (Treasury inflation-protected securities) yield curve with an estimated nominal off-the-run Treasury yield curve, with an adjustment for the indexation-lag effect.
 Source: FRB staff calculations.

After having posted increases in January and February, PCE energy prices fell 3¼ percent in March, reflecting sizable declines in all energy categories. Current survey data suggest that retail gasoline prices decreased further in April despite the increase in crude oil prices since February. Retail demand for gasoline has apparently been weak, which has boosted inventories and squeezed gasoline margins well below their average over the past five years.

Consumer food prices edged down over the first three months of this year, as last autumn's sharp drop in spot prices of crops and livestock has continued to pass through to the retail level. Over the three months ending in March, food prices decreased at an annual rate of ¼ percent—following a 4 percent rate of increase over the previous three months. So far this year, spot prices of crops appear to have stabilized at levels well below their 2008 peaks.

We estimate that PCE prices excluding food and energy rose at an annual rate of 2½ percent over the three months ending in March, up from the especially low annual rate of increase of ¼ percent over the preceding three months. Relative to the fourth quarter, the acceleration in core prices in the first three months of this year was fairly widespread across categories. However, the pickup was particularly steep among goods, which had seen large price declines at the end of 2008, likely associated with aggressive discounting in reaction to weak demand and excess inventories. Prices of nonmarket services have also risen more rapidly in recent months after being soft late last year. In addition, the increase in March reflected a sizable jump in cigarette prices as tobacco companies raised retail prices in advance of the federal tax increase that took effect on April 1.

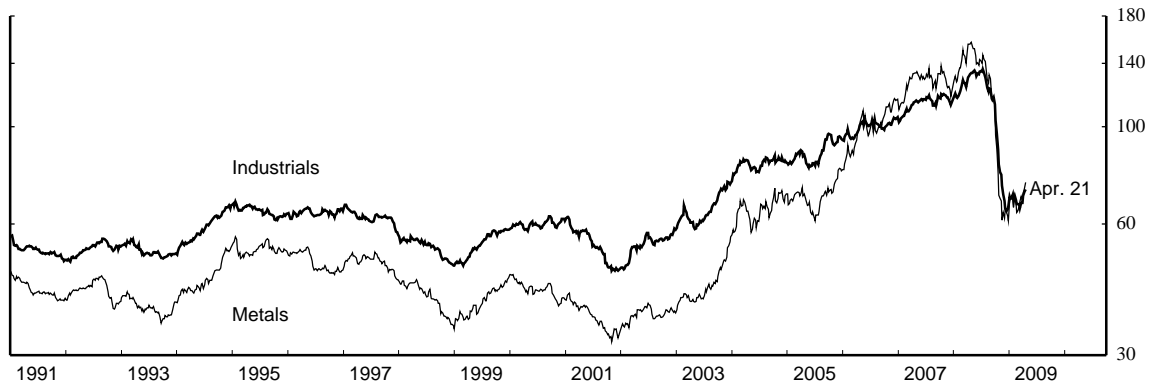
Median near-term inflation expectations in the preliminary Reuters/Michigan survey took an unexpected bounce up to 3 percent in early April. Those near-term views did not appear to influence longer-term expectations: The median expectation for inflation over the next 5 to 10 years was 2.7 percent in April, only a touch above the March level and at the low end of the range seen over the past few years. As is discussed in the “Domestic Financial Developments” section, TIPS-based measures of inflation expectations continue to be difficult to interpret.

Toward the end of 2008, prices at earlier stages of processing retreated considerably, reflecting weaker global demand and the associated steep declines in the prices of energy and other raw materials. So far this year, the PPI for core intermediate materials has continued to decline but at a noticeably slower pace. Over the first three months of the

Commodity Price Indexes

Journal of Commerce

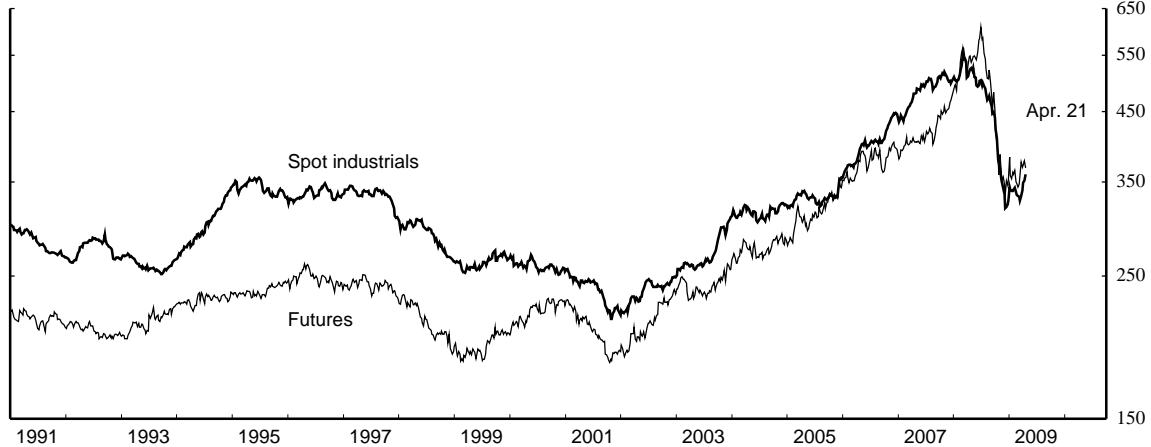
Ratio scale, 2006 = 100



Note: The *Journal of Commerce* (JOC) industrial price index is based almost entirely on industrial commodities, with a small weight given to energy commodities. Copyright for JOC data is held by CIBCR, 1994.

Commodity Research Bureau

Ratio scale, 1967 = 100



Note: The Commodity Research Bureau (CRB) spot industrials index consists entirely of industrial commodities, excluding energy. The CRB futures index gives about a 60 percent weight to food commodities and splits the remaining weight roughly equally among energy commodities, industrial commodities, and precious metals.

Selected Commodity Price Indexes (Percent change)

Index	2008 ¹	12/30/08 to 3/10/09 ²	3/10/09 ² to 4/21/09	52-week change to 4/21/09
JOC industrials	-41.4	1.0	8.3	-45.5
JOC metals	-48.2	8.2	13.3	-51.8
CRB spot industrials	-34.3	1.5	8.2	-31.3
CRB spot foodstuffs	-14.1	-3.0	7.9	-23.4
CRB futures	-24.7	-1.3	6.0	-33.0

1. From the last week of the preceding year to the last week of the year indicated.
2. March 10, 2009, is the Tuesday preceding publication of the March Greenbook.

year, this index fell at an annual rate of 7¾ percent, compared with a plunge of nearly 24 percent during the fourth quarter of 2008. Meanwhile, since the March Greenbook, commodity prices have increased: Both the *Journal of Commerce* index of industrial materials prices and the CRB index of spot industrials increased 8¼ percent. Nonetheless, these indexes remain far below their year-earlier values.

Labor Costs

We have received little new data on labor compensation. Average hourly earnings of production and nonsupervisory workers increased 0.2 percent in March, which brought the 12-month change to 3¼ percent, down slightly from the rate of increase over the previous 12 months.

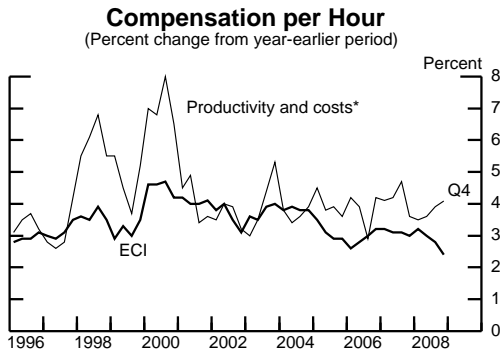
Hourly Compensation and Unit Labor Costs

(Percent change from preceding period at compound annual rate; based on seasonally adjusted data)

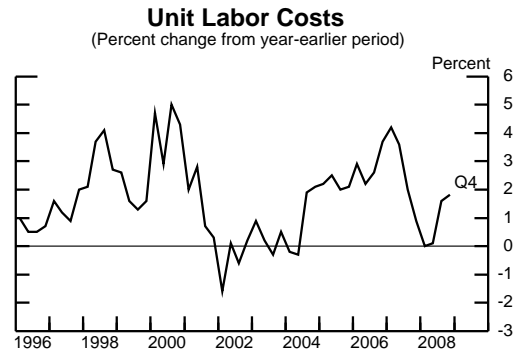
Category	2006:Q4 to 2007:Q4	2007:Q4 to 2008:Q4 ^e	2008			
			Q1	Q2	Q3	Q4 ^e
<i>Compensation per hour</i> Nonfarm business	3.6	4.1	3.7	1.7	5.7	5.2
<i>Output per hour</i> Nonfarm business	2.6	2.2	2.6	4.7	2.2	-5
<i>Unit labor costs</i> Nonfarm business	.9	1.8	1.1	-2.8	3.5	5.7

^e Staff estimate.

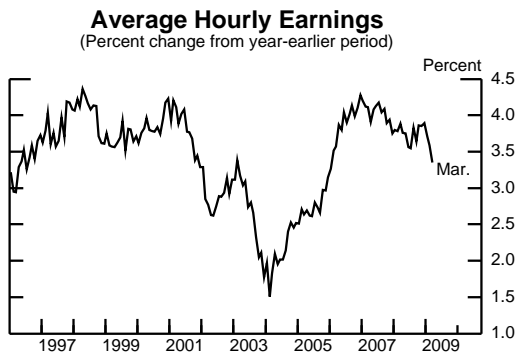
Source: U.S. Dept. of Labor, Bureau of Labor Statistics.



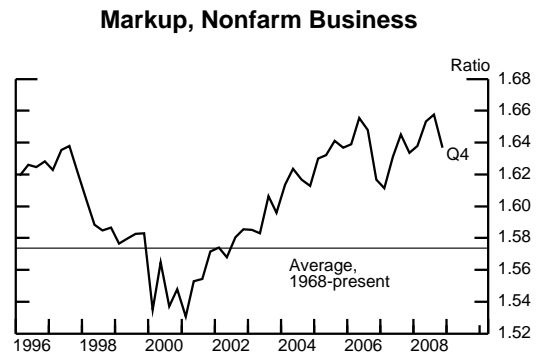
*Value for 2008:Q4 is a staff estimate.
Source: U.S. Dept. of Labor, Bureau of Labor Statistics.



Note: Value for 2008:Q4 is a staff estimate.
Source: U.S. Dept. of Labor, Bureau of Labor Statistics.



Source: U.S. Dept. of Labor, Bureau of Labor Statistics.



Note: The markup is the ratio of output price to unit labor costs. Value for 2008:Q4 is a staff estimate.
Source: For output price, U.S. Dept. of Commerce, Bureau of Economic Analysis; for unit labor costs, U.S. Dept. of Labor, Bureau of Labor Statistics.

Domestic Financial Developments

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

Instrument	2007		2009			Change to Apr. 21 from selected dates (percentage points)		
	Aug. 6	Jan. 27	Mar. 17	Apr. 21	2007 Aug. 6	2009 Jan. 27	2009 Mar. 17	
<i>Short-term</i>								
FOMC intended federal funds rate	5.25	.13	.13	.13	-5.12	.00	.00	
Treasury bills ¹								
3-month	4.74	.13	.24	.15	-4.59	.02	-.09	
6-month	4.72	.32	.44	.34	-4.38	.02	-.10	
Commercial paper (A1/P1 rates) ²								
1-month	5.26	.29	.44	.29	-4.97	.00	-.15	
3-month	5.29	2.04	.66	.35	-4.94	-1.69	-.31	
Large negotiable CDs ¹								
3-month	5.34	1.08	1.08	.90	-4.44	-.18	-.18	
6-month	5.27	1.57	1.83	1.50	-3.77	-.07	-.33	
Eurodollar deposits ³								
1-month	5.33	.75	1.00	.90	-4.43	.15	-.10	
3-month	5.35	1.75	1.65	1.50	-3.85	-.25	-.15	
Bank prime rate	8.25	3.25	3.25	3.25	-5.00	.00	.00	
<i>Intermediate- and long-term</i>								
U.S. Treasury ⁴								
2-year	4.49	.68	1.04	.90	-3.59	.22	-.14	
5-year	4.52	1.74	2.14	1.96	-2.56	.22	-.18	
10-year	4.82	3.17	3.47	3.27	-1.55	.10	-.20	
U.S. Treasury indexed notes ⁵								
5-year	2.43	1.84	2.04	1.61	-.82	-.23	-.43	
10-year	2.48	1.97	2.26	1.99	-.49	.02	-.27	
Municipal general obligations (Bond Buyer) ⁶	4.51	5.13	5.03	4.78	.27	-.35	-.25	
Private instruments								
10-year swap	5.44	2.84	3.14	2.99	-2.45	.15	-.15	
10-year FNMA ⁷	5.34	3.65	4.04	3.88	-1.46	.23	-.16	
10-year AA ⁸	6.12	6.03	6.99	6.29	.17	.26	-.70	
10-year BBB ⁸	6.57	8.94	9.25	8.63	2.06	-.31	-.62	
10-year high yield ⁸	9.21	14.68	16.41	13.37	4.16	-1.31	-3.04	
Home mortgages (FHLMC survey rate)								
30-year fixed	6.59	5.10	4.98	4.82	-1.77	-.28	-.16	
1-year adjustable	5.65	4.90	4.91	4.91	-.74	.01	.00	
Stock exchange index								
Stock exchange index	Record high		2009			Change to Apr. 21 from selected dates (percent)		
	Level	Date	Jan. 27	Mar. 17	Apr. 21	Record high	2009 Jan. 27	2009 Mar. 17
Dow Jones Industrial	14,165	10-9-07	8,175	7,396	7,970	-43.74	-2.51	7.76
S&P 500 Composite	1,565	10-9-07	846	778	850	-45.69	.52	9.25
Nasdaq	5,049	3-10-00	1,505	1,462	1,644	-67.44	9.23	12.43
Russell 2000	856	7-13-07	456	404	470	-45.07	3.18	16.47
D.J. Total Stock Index	15,807	10-9-07	8,524	7,878	8,695	-44.99	2.00	10.37

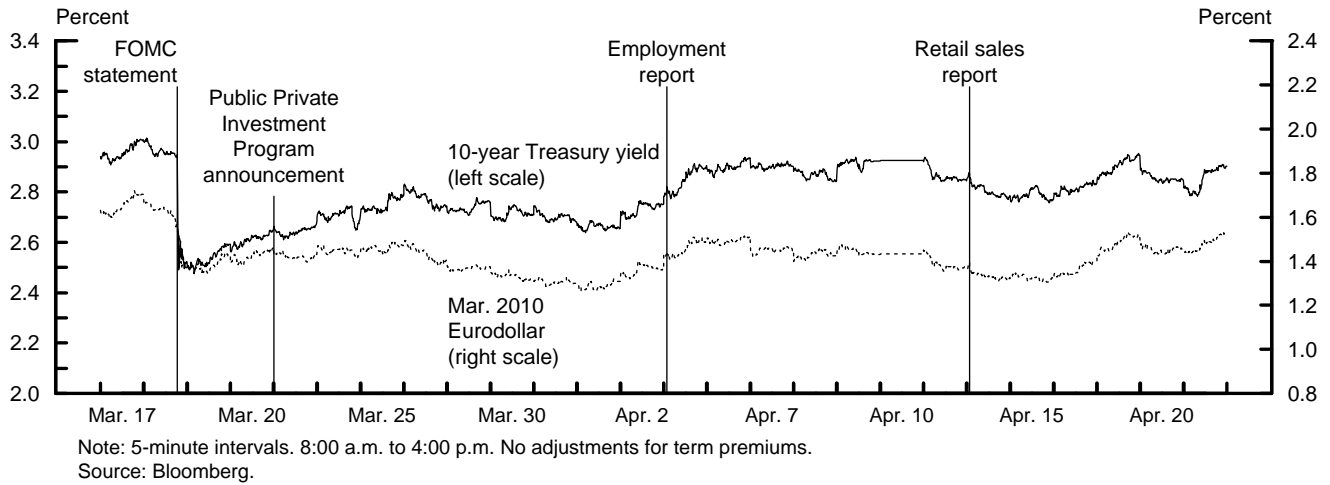
1. Secondary market.
2. Financial commercial paper.
3. Bid rates for Eurodollar deposits collected around 9:30 a.m. eastern time.
4. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
5. Derived from a smoothed Treasury yield curve estimated using all outstanding securities 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:

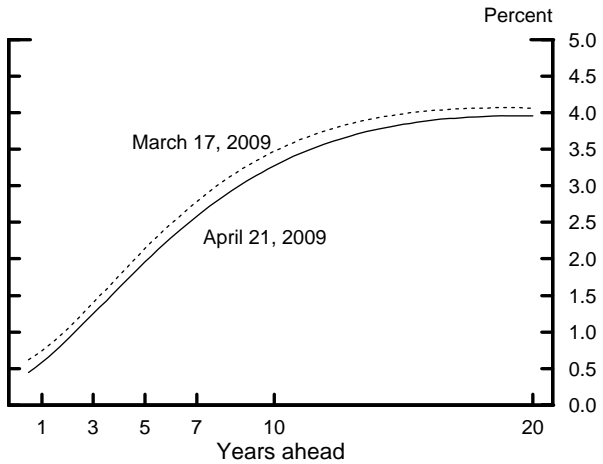
August 6, 2007, is the day before the August 2007 FOMC meeting.
January 27, 2009, is the day before the January 2009 FOMC monetary policy announcement.
March 17, 2009, is the day before the most recent FOMC monetary policy announcement.

III-C-1 Policy Expectations and Treasury Yields

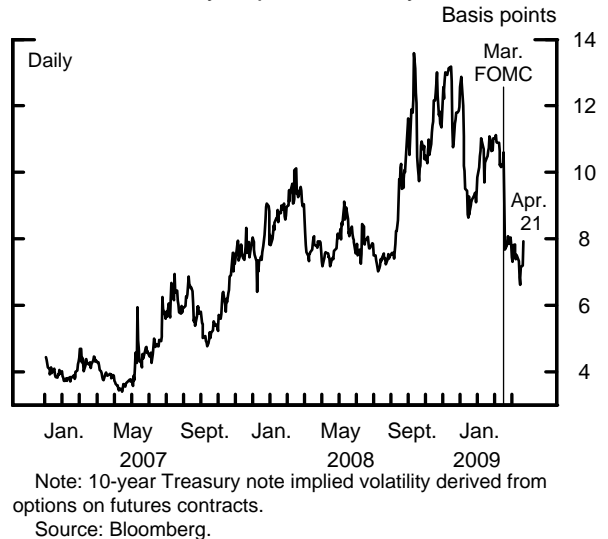
Interest Rates



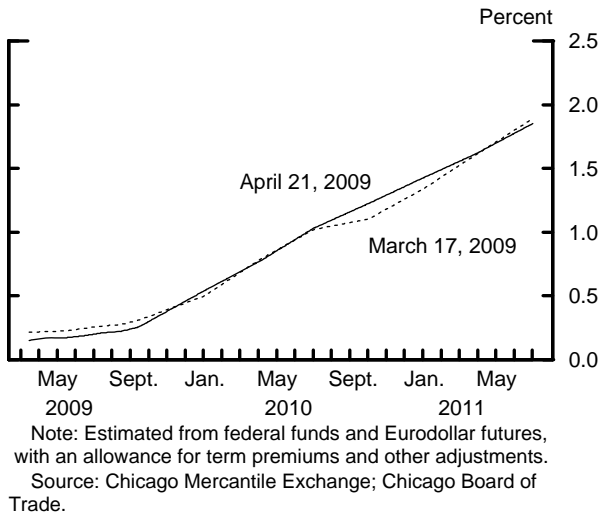
Treasury Yield Curve



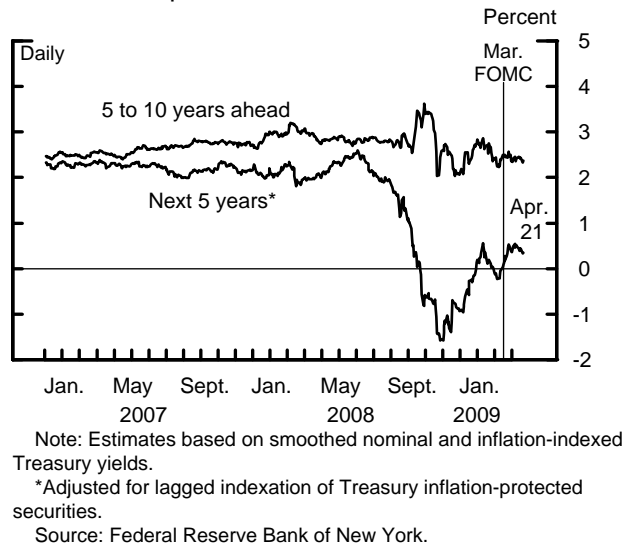
10-Year Treasury Implied Volatility



Implied Federal Funds Rate



Inflation Compensation



Domestic Financial Developments

Overview

Conditions in financial markets showed some limited signs of improvement over the intermeeting period, as risk premiums narrowed and the functioning of short-term funding markets improved a bit. Still, uncertainty about the economic outlook and the upcoming release of bank stress-test results continued to weigh heavily on market sentiment. Nominal Treasury yields dropped on the FOMC's March announcement, but reversed most of those declines over the remainder of the period amid a reduction in safe-haven demands and a perceived improvement in the economic outlook. Broad stock-price indexes gained about 10 percent over the intermeeting period, and bank stock prices rose even more, boosted by news that some large banks were profitable in the first quarter. Spreads on BBB-rated and speculative-grade corporate bonds narrowed about 40 and 280 basis points, respectively, but remained very high by historical standards. Rates on conforming fixed-rate mortgages declined over the intermeeting period, perhaps reflecting, in part, the considerable expansion of the Federal Reserve's agency MBS purchase program.

Net debt financing by nonfinancial firms slowed further in April, and household borrowing appears to have been lackluster in the first quarter. Corporate and household credit quality continued to deteriorate in recent months. In the April Senior Loan Officer Opinion Survey on Bank Lending Practices, sizable fractions of banks again reported having tightened lending standards and terms on all major loan categories (see appendix to this section).

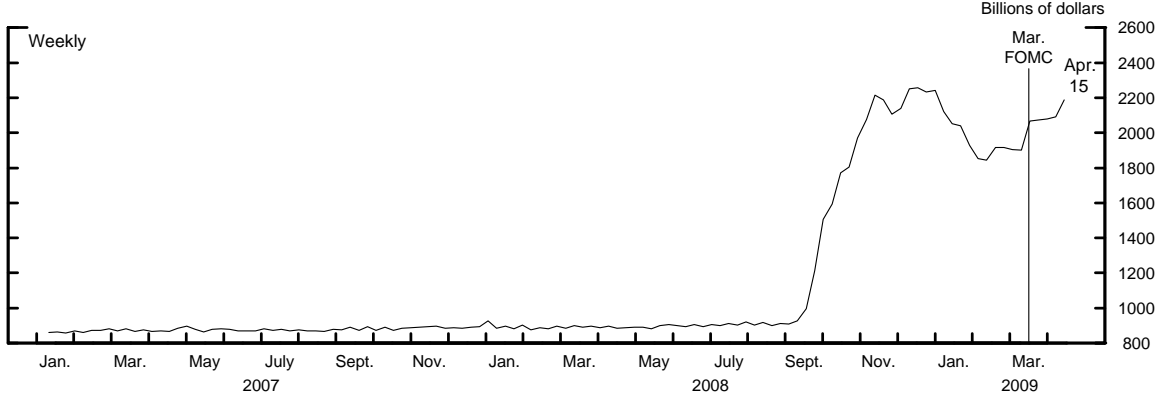
Policy Expectations and Interest Rates

Yields on 2- and 10-year nominal Treasury securities dropped about 25 and 50 basis points, respectively, on the FOMC's March 18 announcement that the Federal Reserve would begin purchasing up to \$300 billion of long-term Treasury securities and would substantially expand its purchases of agency debt and agency MBS. Since then, rates have moved up, likely reflecting a reduction in safe haven demands and a perceived improvement in the economic outlook. On balance, yields on 2- and 10-year nominal Treasury securities ended the intermeeting period down 14 and 20 basis points, respectively. Uncertainty about long-term Treasury rates also dropped in the wake of the FOMC announcement but was little changed, on net, over the remainder of the period.

Implied rates on Eurodollar futures contracts beyond year-end fell considerably after the March FOMC announcement, as investors reportedly reacted to the statement that the federal funds rate would likely remain at exceptionally low levels "for an extended

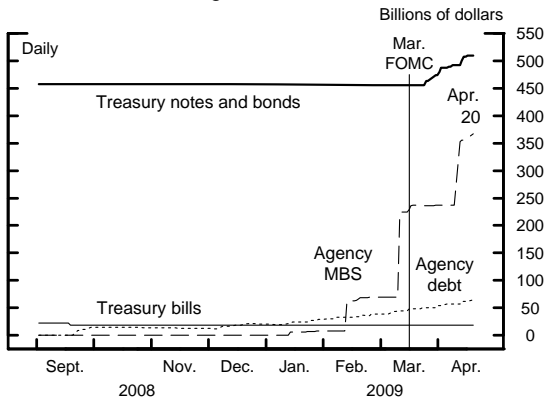
Federal Reserve Purchase Programs and Facilities

Total Federal Reserve Assets



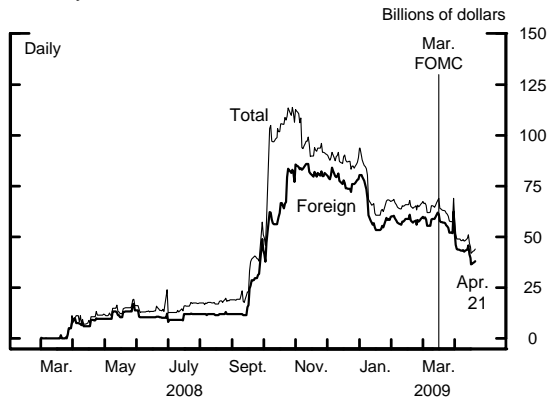
Source: Board of Governors of the Federal Reserve System, Statistical Release H.4.1, "Factors Affecting Reserve Balances."

Securities Held Outright



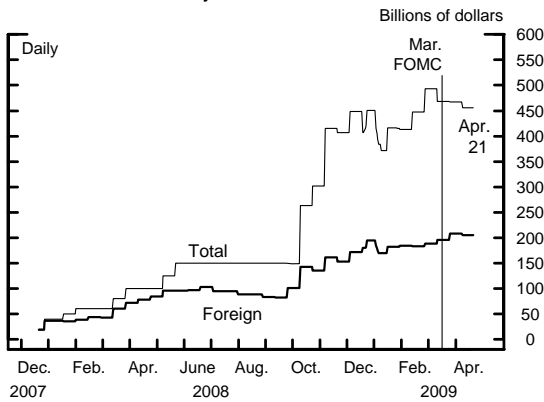
Source: Federal Reserve Board.

Primary Credit



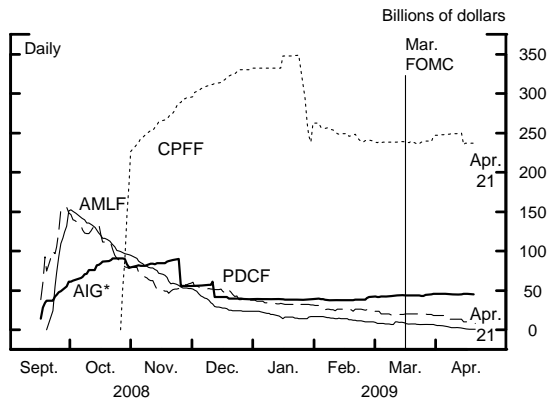
Source: Federal Reserve Board.

Term Auction Facility



Source: Federal Reserve Board.

Other Credit Extensions



Note: AMLF is the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility; AIG is American International Group, Inc.; CPFF is the Commercial Paper Funding Facility; PDCF is the Primary Dealer Credit Facility.

* Data for AIG extend through April 20.

Source: Federal Reserve Board.

period.” Futures quotes reversed these declines over the remainder of the period and again suggest that market participants expect the federal funds rate to trade within the current target range through the third quarter of 2009. However, readings on policy expectations from these markets continued to be complicated by possible shifts in term premiums and other technical factors. About one-half of the respondents to the April survey of primary dealers by the New York Fed’s Domestic Trading Desk did not expect an increase in the federal funds rate target until 2011—roughly the same as in the previous survey.

Five-year inflation compensation as measured from TIPS yields rose 25 basis points, on net, to 0.4 percent over the intermeeting period. The increase likely reflects, in part, recent improvements in TIPS liquidity. Five-year inflation compensation five years ahead declined 12 basis points, on net, over the intermeeting period. Near-term inflation expectations from the Reuters/University of Michigan survey increased 100 basis points in early April, and long-term inflation expectations in the survey rose slightly.

Federal Reserve Purchase Programs and Facilities

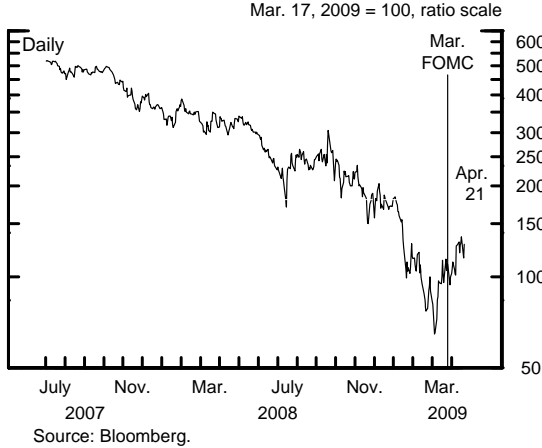
Assets on the Federal Reserve balance sheet increased \$120 billion over the intermeeting period because of a sharp rise in securities held outright. Purchases over the period included about \$50 billion in nominal Treasury coupon securities and \$1.5 billion of TIPS. The bulk of the nominal Treasury securities purchased were on-the-run or first-off-the-run issues with maturities ranging from 2 to 10 years. Federal Reserve holdings of agency MBS and agency debt rose \$138 billion and \$17 billion, respectively.

The first two subscription periods for the Term Asset-Backed Securities Loan Facility (TALF) were held during the intermeeting period and resulted in \$6.4 billion of credit extensions collateralized by auto and credit card ABS. Of late, investors have reportedly become more hesitant to participate in the TALF and some other programs because of concerns about political pressures and the possibility of restrictions on their hiring and compensation practices. On net, credit extended under the various Federal Reserve liquidity programs and other facilities decreased about \$100 billion over the intermeeting period, mostly reflecting declines in primary credit outstanding and foreign central-bank liquidity swaps, as pressures in funding markets eased somewhat.

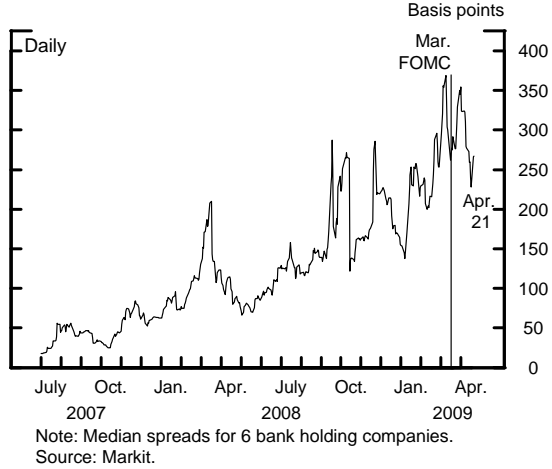
On April 6, the Federal Reserve announced that it had authorized foreign currency swap lines with four foreign central banks. These arrangements, which were authorized

Financial Institutions and Short-Term Funding Markets

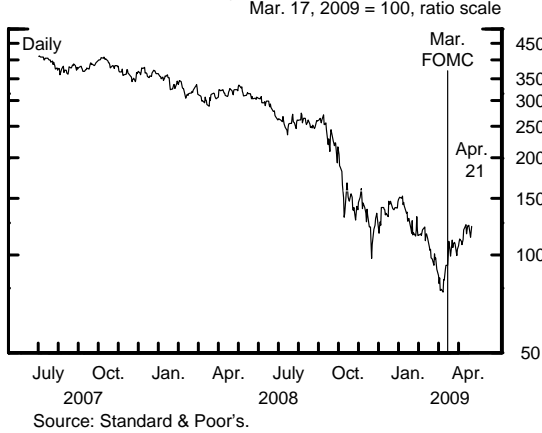
S&P Banks Equity Index



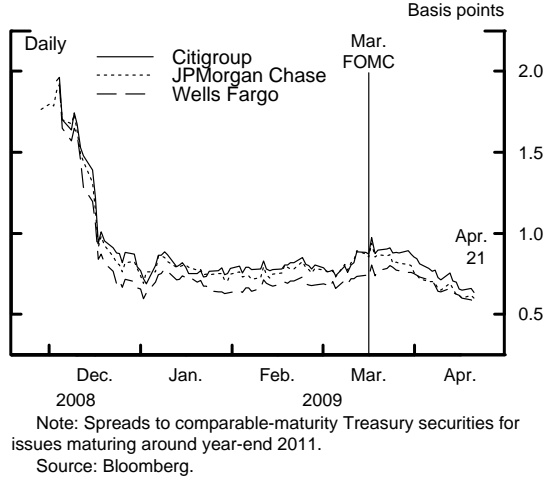
Senior CDS Spreads for Bank Holding Companies



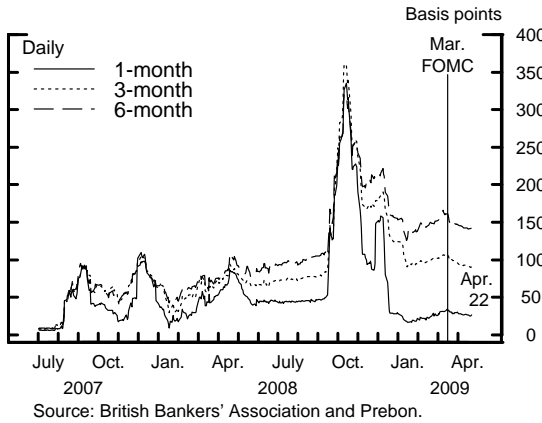
S&P Insurance Equity Index



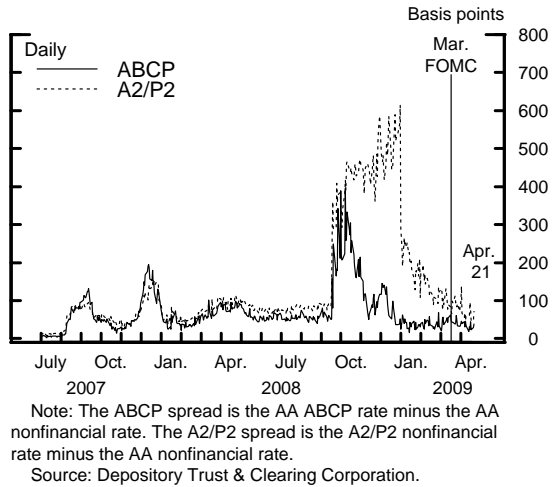
Selected FDIC-Guaranteed Spreads



Libor over OIS Spread



Spreads on 30-day Commercial Paper



through October 30, 2009, would allow the Federal Reserve to provide foreign currency liquidity to U.S. financial institutions.

Financial Institutions and Markets

Stock prices of banking organizations rose 28 percent, on net, over the intermeeting period, as investor concerns about the condition of financial institutions appeared to diminish somewhat on news that some large banks were profitable in the first quarter. CDS spreads for bank holding companies edged down, on net, despite continued uncertainty about the upcoming release of the stress-test results. Stock prices of insurance companies also rose noticeably over the period, likely reflecting speculation that the insurance industry might receive TARP funding.

On April 1, the FDIC extended its Temporary Liquidity Guarantee Program, which will now be available for new issuance through October 31 of this year and will provide coverage through the end of 2012. At the same time, the FDIC raised guarantee fees for some issues. Over the intermeeting period, financial firms issued an additional \$26 billion in guaranteed debt, and spreads of FDIC-guaranteed bonds to comparable-maturity Treasury securities generally declined.

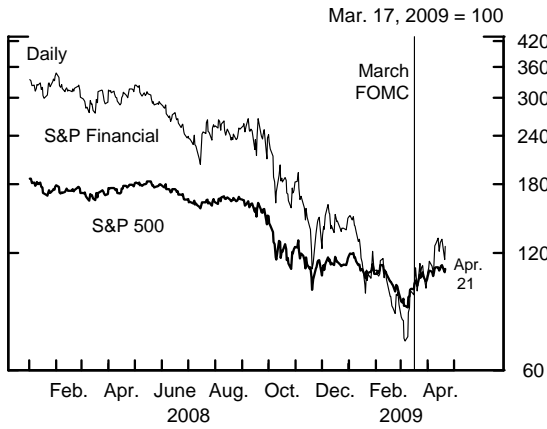
Liquidity in the CDS market reportedly was poor early in the intermeeting period, as market participants anticipated significant changes to contract designs meant to standardize CDS and facilitate a central clearinghouse. These changes, which were implemented on April 8, passed without significant market disruptions, and liquidity is said to have returned to recent norms.

Short-Term Funding Markets

Conditions in short-term funding markets improved somewhat over the intermeeting period. In interbank markets, Libor fixings and spreads over overnight index swap (OIS) rates edged down in recent weeks, although Libor fixings beyond the one-month maturity remained elevated. Spreads on A2/P2-rated commercial paper and AA-rated asset-backed commercial paper declined a bit, on net, and are currently at the low end of their respective ranges over the past year. Functioning of the market for repurchase agreements (repos) continued to improve, as bid-asked spreads and haircuts on most collateral either narrowed or held steady, although repo volumes remained low. Consistent with steady or improving conditions in the term repo market, all seven intermeeting-period auctions under the TSLF were undersubscribed. The Schedule 1

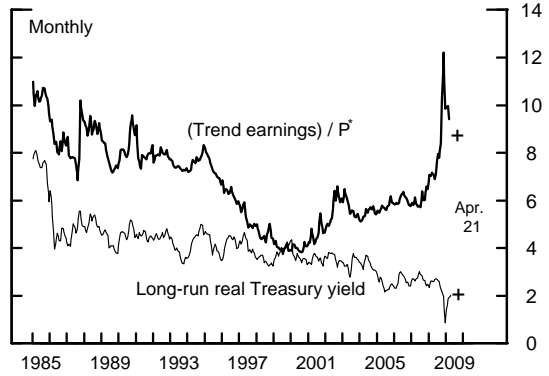
Corporate Yields, Risk Spreads, and Stock Prices

Selected Stock Price Indexes



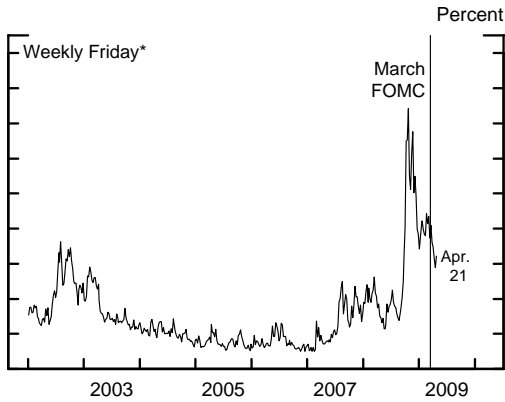
Source: Standard & Poor's.

Ratio of Trend Earnings to Price for S&P 500 and Long-Run Treasury Yield



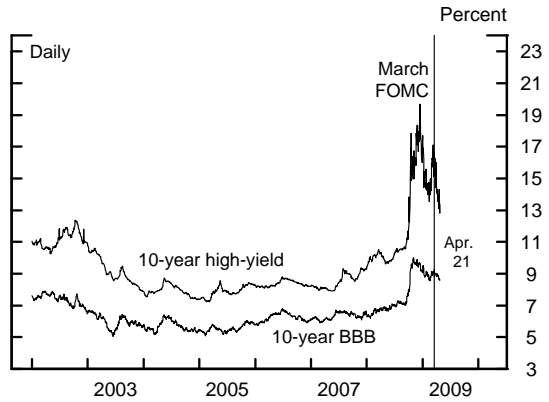
* Trend earnings are estimated using analysts' forecasts of year-ahead earnings from I/B/E/S.
 + Denotes the latest observation using daily interest rates and stock prices and latest earnings data from I/B/E/S.
 Source: Thomson Financial.

Implied Volatility on S&P 500 (VIX)



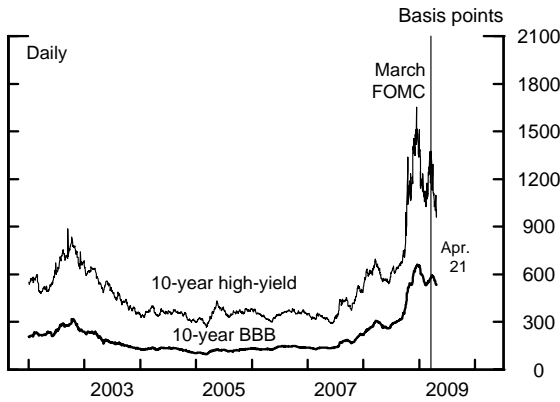
* Latest observation is for most recent business day.
 Source: Chicago Board of Exchange.

Corporate Bond Yields



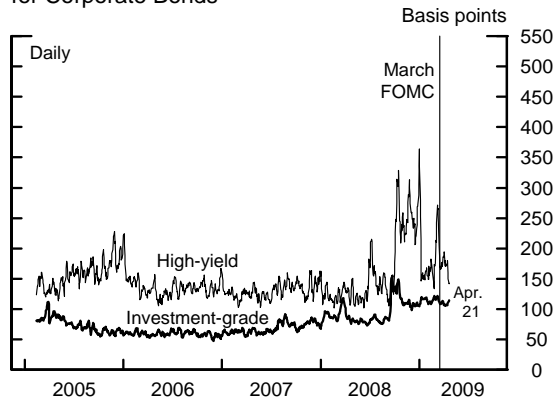
Note: Yields from smoothed yield curves based on Merrill Lynch bond data.

Corporate Bond Spreads



Note: Corporate yields from smoothed yield curves based on Merrill Lynch bond data and spreads measured relative to comparable-maturity Treasury securities.

Estimated Median Bid-Asked Spread for Corporate Bonds



Source: Staff estimate using data from the National Assn. of Securities Dealers' Trade Reporting and Compliance Engine.

auctions on April 2 and April 16 received no bids, with market participants indicating that financing of Schedule 1–eligible assets was cheaper in the private market.

Stock Prices and Corporate Interest Rates

Broad stock-price indexes rose about 10 percent, on net, over the intermeeting period, reportedly buoyed by announcements of policy measures to improve credit markets and clean up banks' balance sheets, and perhaps also by some reduction in concerns about the economic outlook. Financial stocks outperformed broader markets, boosted by positive first-quarter earnings reports from a few major firms. The spread between the forward trend earnings-price ratio for S&P 500 firms and an estimate of the real long-run Treasury yield—a rough gauge of the equity risk premium—narrowed during the intermeeting period but remained very high by historical standards. Option-implied volatility on the S&P 500 index declined noticeably but remained very elevated relative to historic norms.

On net, yields on BBB-rated and speculative-grade corporate bonds declined about 60 and 300 basis points, respectively, over the intermeeting period. As a result, spreads of yields on BBB-rated corporate bonds over those on comparable-maturity Treasury securities declined about 40 basis points, while spreads on speculative-grade bonds narrowed about 280 basis points. Even so, corporate bond spreads remained extremely high by historical standards. Measures of bid-asked spreads in the secondary market for high-yield corporate bonds improved somewhat, while corresponding measures for investment-grade bonds hovered at moderately elevated levels.

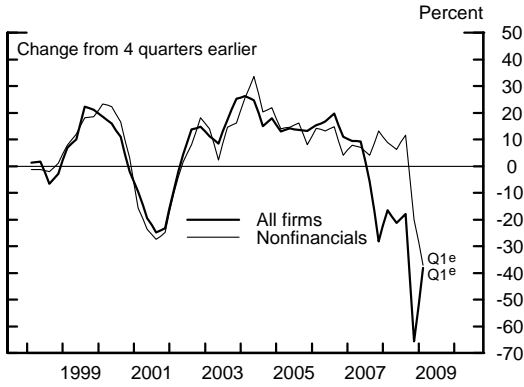
Corporate Earnings and Credit Quality

With about 100 earnings reports for S&P 500 firms in hand and analyst forecasts for the rest, first-quarter operating earnings per share are estimated to have been about 40 percent lower than year-earlier levels, with earnings per share for nonfinancial firms down a bit less. Revisions to year-ahead earnings for S&P 500 firms were substantially negative for the month ending in mid-March but noticeably less so than in the month ending in mid-February.

On balance, the credit quality of nonfinancial firms continued to deteriorate over the past few months. In the fourth quarter, the average leverage ratio of nonfinancial firms increased further, although the aggregate liquid-asset ratio also rose. The pace of Moody's downgrades of nonfinancial corporate bonds was substantial in February, and upgrades virtually ceased. In March, the expected year-ahead default rate estimated by

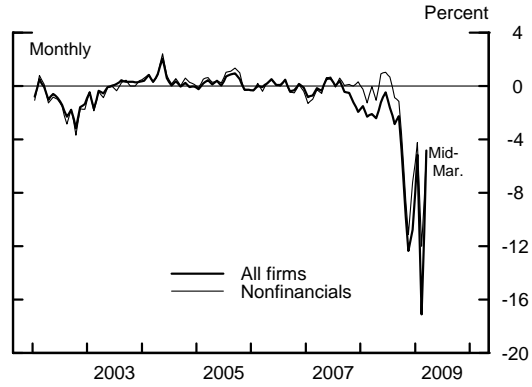
Corporate Earnings and Credit Quality

S&P 500 Earnings Per Share



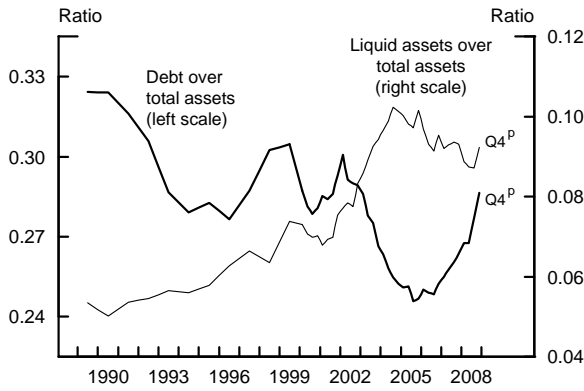
e Estimated based on firms that have reported and analysts' forecasts.
Source: Thomson Financial.

Revisions to Expected S&P 500 Earnings



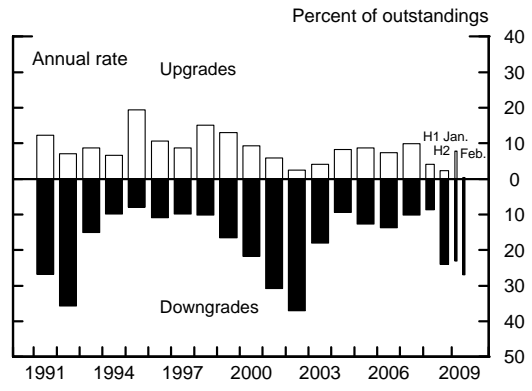
Note: Index is a weighted average of the percent change in the consensus forecasts of current-year and following-year earnings per share for a fixed sample.
Source: Thomson Financial.

Financial Ratios for Nonfinancial Corporations



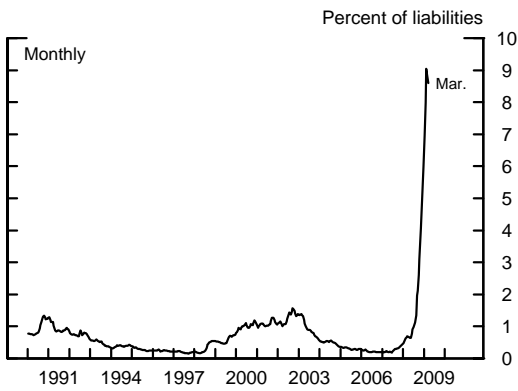
Note: Data are annual through 1999 and quarterly starting in 2000:Q1.
p preliminary.
Source: Calculated using Compustat data.

Bond Ratings Changes of Nonfinancial Companies



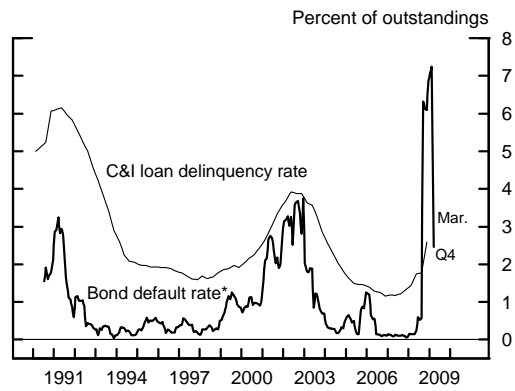
Source: Calculated using data from Moody's Investors Service.

Expected Year-Ahead Defaults



Note: Firm-level estimates of default weighted by firm liabilities as a percent of total liabilities, excluding defaulted firms.
Source: Calculated using Moody's KMV.

Selected Default and Delinquency Rates



* 6-month trailing defaults divided by beginning-of-period outstandings, at an annual rate.
Source: For default rate, Moody's Investors Service; for delinquency rate, Call Report.

Business Finance

Gross Issuance of Securities by U.S. Corporations

(Billions of dollars; monthly rates, not seasonally adjusted)

Type of security	2005	2006	2007	2008		2009	
				H1	H2	Q1	Apr. ^P
<i>Nonfinancial corporations</i>							
Stocks ¹	4.6	4.7	5.5	3.5	4.0	2.9	2.5
Initial public offerings	1.7	1.8	1.6	.6	.1	.3	.0
Seasoned offerings	2.8	2.9	3.8	2.9	3.9	2.6	2.5
Bonds ²	18.7	29.3	35.1	36.0	19.4	55.0	28.0
Investment grade	8.7	13.1	17.5	24.9	14.2	41.6	20.0
Speculative grade	5.2	6.2	7.5	3.1	.4	2.5	4.0
Other (sold abroad/unrated)	4.8	10.1	10.0	8.0	4.8	10.9	4.0
<i>Memo</i>							
Net issuance of commercial paper ³	-2	2.4	-4	-5	3.7	-12.7	11.0
Change in C&I loans at commercial banks ³	9.6	11.7	20.9	13.4	9.0	-10.6	-16.0
<i>Financial corporations</i>							
Stocks ¹	5.0	5.3	8.6	17.2	9.9	.9	8.0
Bonds ²	170.4	180.6	151.7	66.2	24.6	38.4	20.0

Note: Components may not sum to totals because of rounding.

1. Excludes private placements and equity-for-equity swaps that occur in restructurings.

2. Data include regular and 144a private placements. Bond totals reflect gross proceeds rather than par value of original discount bonds.

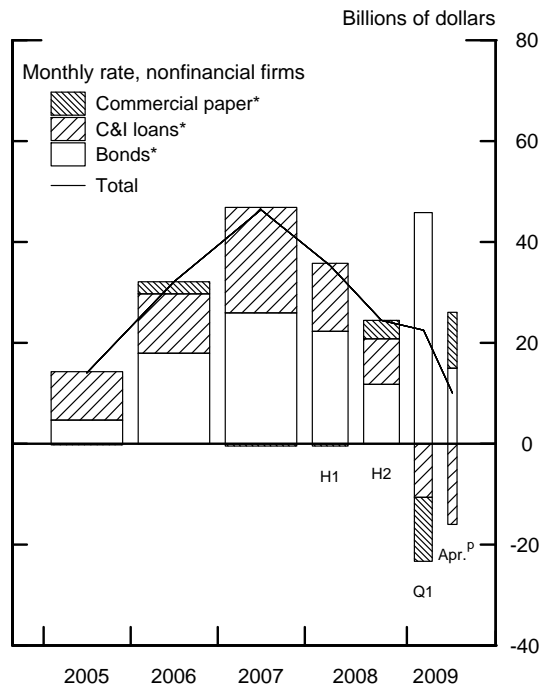
Bonds are categorized according to Moody's bond ratings or to Standard & Poor's if unrated by Moody's.

3. End-of-period basis, seasonally adjusted.

p Forecast based on preliminary data.

Source: Depository Trust & Clearing Corporation; Thomson Financial; Federal Reserve Board.

Selected Components of Net Debt Financing

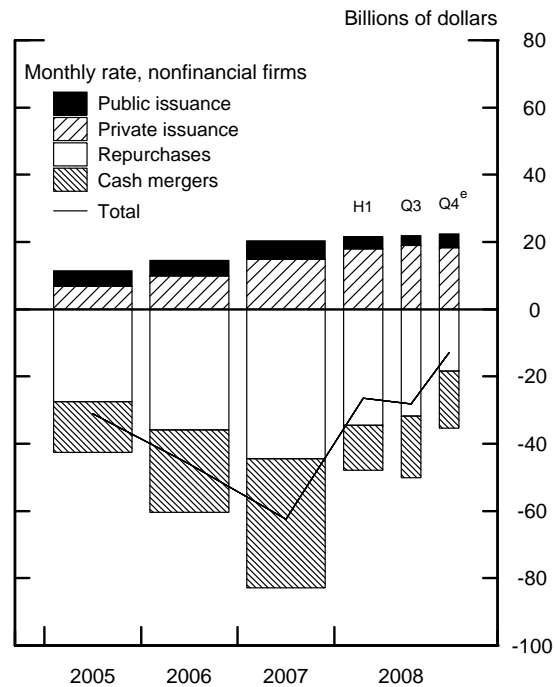


* Seasonally adjusted, period-end basis.

p Preliminary.

Source: Depository Trust & Clearing Corporation; Thomson Financial; Federal Reserve Board.

Components of Net Equity Issuance

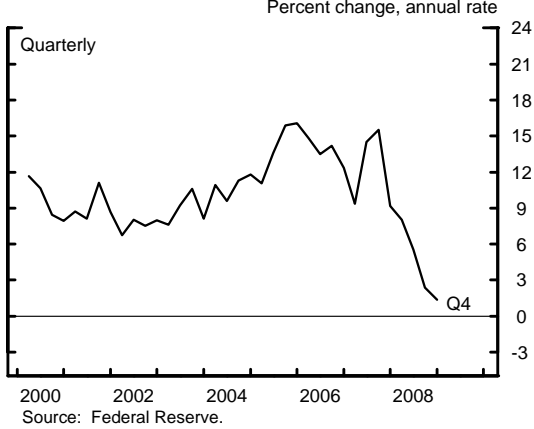


^e Staff estimate.

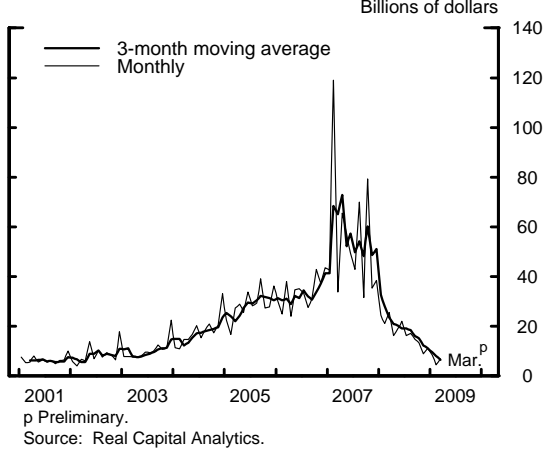
Source: Thomson Financial, Investment Benchmark Report; Money Tree Report by PricewaterhouseCoopers, National Venture Capital Association, and Venture Economics.

Commercial Real Estate

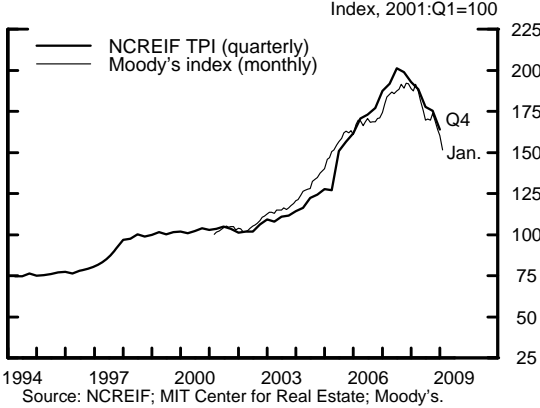
Commercial Mortgage Debt



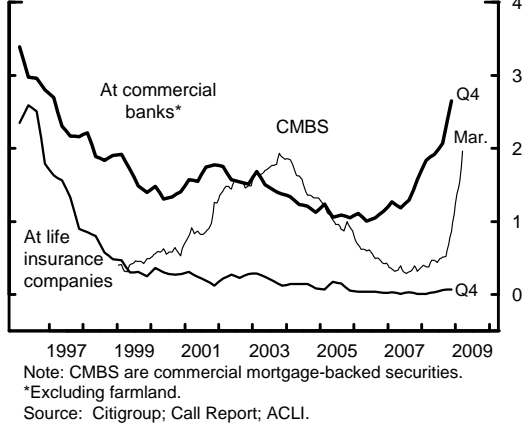
Sales of Commercial Real Estate



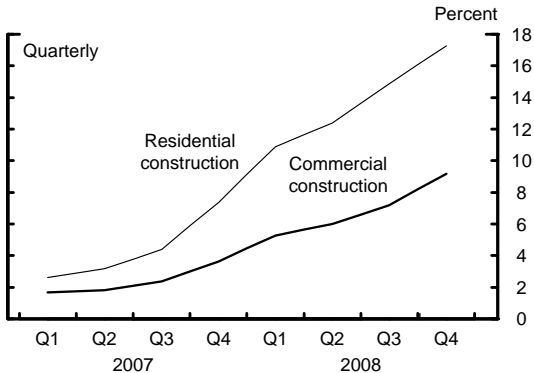
Prices of Commercial Real Estate



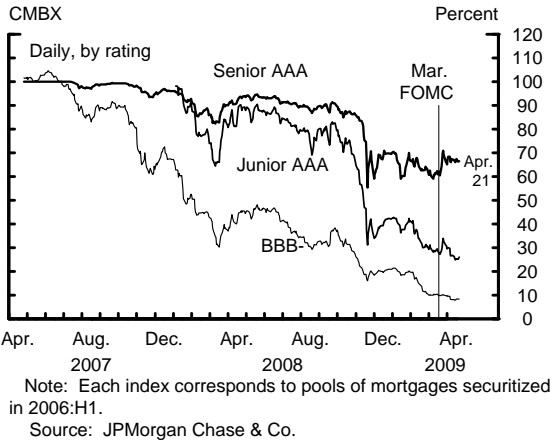
Delinquency Rates on Commercial Mortgages on Existing Properties



Delinquency Rates on Commercial Construction Loans at Banks



Commercial Mortgage CDS Index Prices



Moody's KMV remained extremely high, and the six-month trailing bond-default rate dropped but remained near its peak levels in the previous two recessions.

Business Finance

Gross bond issuance by nonfinancial corporations has been solid in April but well below its outsized pace in the first quarter. Investment-grade bonds have continued to make up the bulk of issuance, although speculative-grade bond issuance has picked up a bit in April from muted levels in the first quarter. Nonfinancial commercial paper outstanding has partially rebounded in April from a drop in the first quarter, while C&I loans have continued to contract. Overall, net debt financing by nonfinancial firms from bonds, commercial paper, and C&I loans has declined further in April.

Gross public equity issuance by nonfinancial firms, both initial and seasoned offerings, has remained weak in April. Equity retirements in the fourth quarter slowed, as share repurchases declined substantially. Data on merger activity and announcements of new share repurchase programs suggest that equity retirements ebbed further in the first quarter.

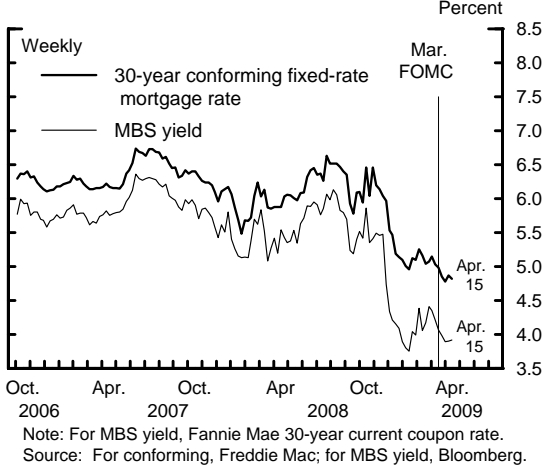
In contrast, gross equity issuance by financial firms picked up in April, boosted by one large deal. Financial firms issued bonds at a moderate pace, including debt issued under the FDIC's Temporary Liquidity Guarantee Program as well as bonds without guarantees.

Commercial Real Estate

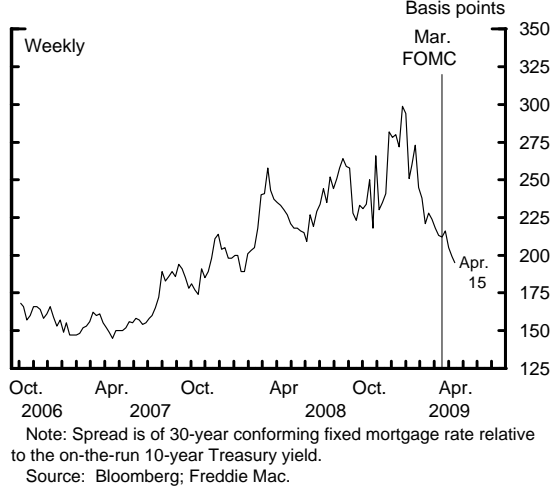
Credit markets for commercial real estate continued to show considerable strain in the first quarter. The CMBS market stayed shut, and commercial mortgages held by banks contracted further. Sales of commercial real estate remained extremely sluggish in recent months. Commercial real estate prices dropped again in January, and preliminary data point to further declines in February and March. Delinquency rates on securitized commercial mortgages shot up further in March, and major rating agencies downgraded large swaths of the junior AAA and lower-rated tranches of CMBS in recent weeks. Prices on senior AAA-rated commercial mortgage CDS indexes increased, on net, over the intermeeting period, reportedly as investors came to expect that highly rated CMBS would become eligible for the TALF.

Residential Mortgages

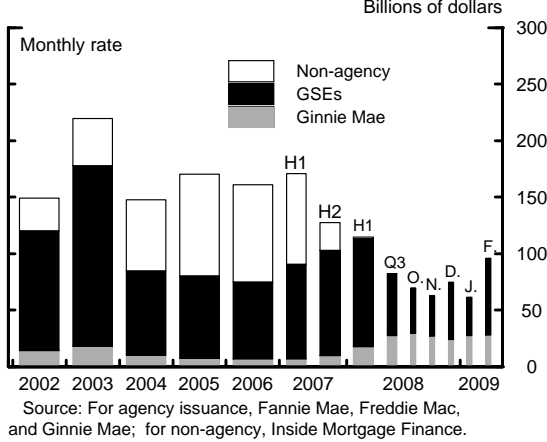
Mortgage Rate and MBS Yield



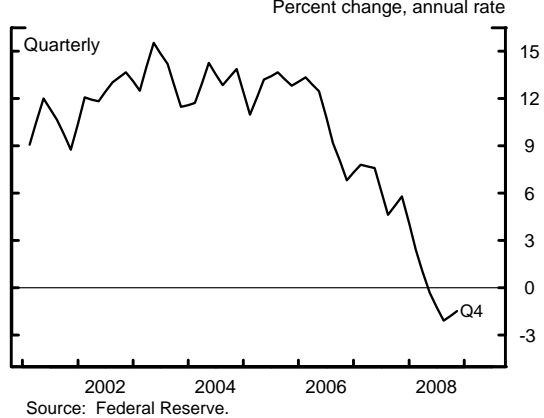
Spread of Mortgage Rate to Treasury Yield



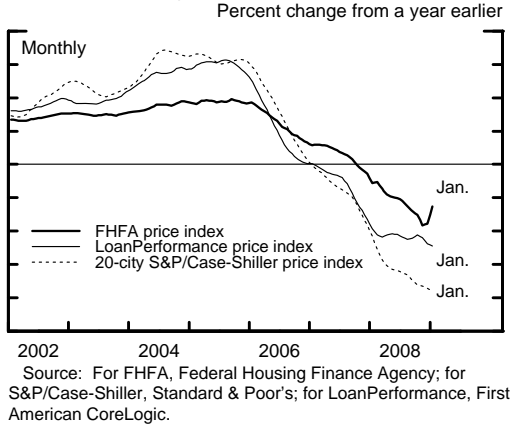
Agency and Non-Agency MBS Issuance



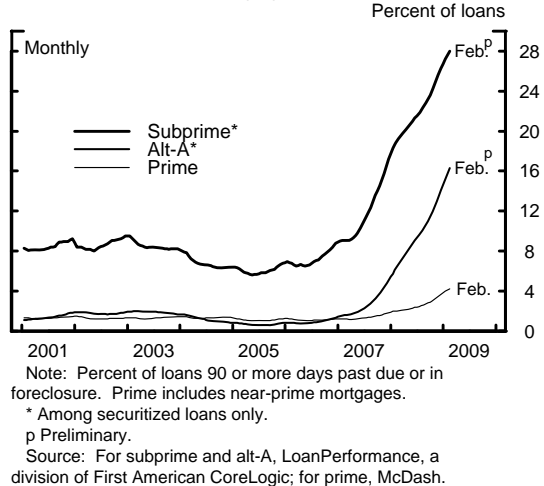
Mortgage Debt



Prices of Existing Homes



Delinquencies on Mortgages



Household Finance

Interest rates on 30-year conforming fixed-rate mortgages declined to 4.8 percent over the intermeeting period, perhaps reflecting, in part, the considerable expansion of the Federal Reserve's agency MBS purchase program. Spreads of rates on conforming fixed-rate mortgages to long-term Treasury yields narrowed to their lowest levels in more than a year. Offer rates on nonconforming jumbo loans fell slightly but continued to be well above rates on conforming loans.

Issuance of MBS by the housing-related GSEs increased in February, as they securitized a spate of mortgages that were refinanced in late 2008. MBS issuance by Ginnie Mae continued apace, while the private MBS market remained shuttered. The Federal Housing Finance Agency index of existing home prices posted a decline of 6 percent over the year ending in January, while the S&P/Case-Shiller 20-city index dropped 19 percent over the same period. Falling home prices and the contracting economy continued to boost mortgage delinquency rates through February.

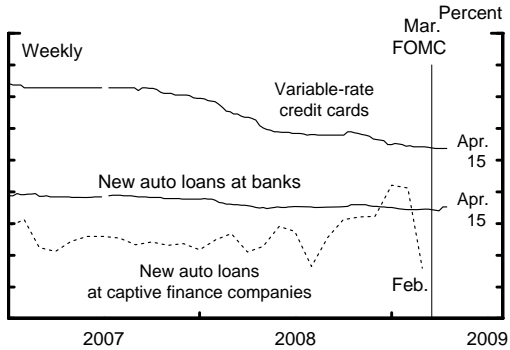
Changes in consumer loan rates were mixed over the intermeeting period. Rates on variable-rate credit cards were about unchanged. Rates on new auto loans at banks ticked up, while those on new auto loans extended through dealerships declined 5 percentage points, likely because of increased financing incentives. A significant decline in spreads on consumer ABS since the beginning of the year reportedly reflects, in part, the TALF eligibility of most 2009 issuance.

Outstanding nonrevolving consumer credit increased slightly in February because of modest growth in auto loans, but revolving consumer debt continued to contract. Consumer credit quality deteriorated further in recent months. In the fourth quarter, the delinquency rate on nonrevolving loans at commercial banks topped its highest level in the previous recession. In February, the delinquency rate on credit cards in securitized pools increased again, while the delinquency rate on auto loans at captive finance companies was little changed at an elevated level.

Long-term mutual funds experienced net redemptions in February and March, led by net outflows from equity funds amid volatile stock prices. However, all major categories of long-term funds attracted net inflows in early April, and in recent weeks, junk bond funds saw particularly heavy inflows.

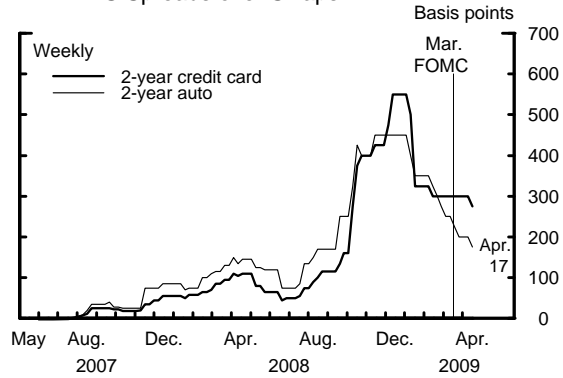
Consumer Credit and Household Wealth

Consumer Loan Rates



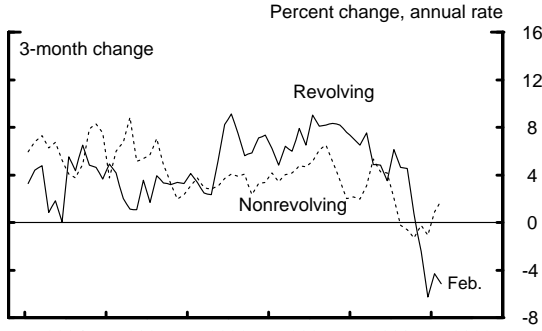
Source: For credit cards and auto at banks, Bankrate, Inc.; for auto at captive finance companies, Federal Reserve.

AAA ABS Spreads over Swaps



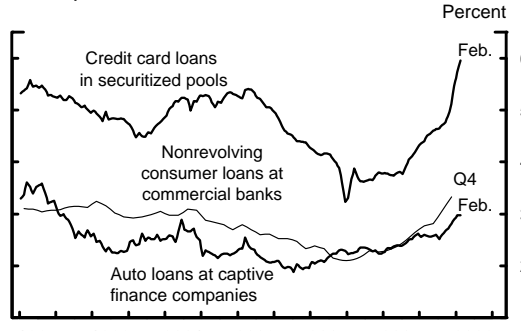
Source: For credit cards and auto, Citigroup Global Markets.

Consumer Credit



Source: Federal Reserve.

Delinquencies on Consumer Loans



Source: For auto loans, Federal Reserve; for credit cards, Moody's Investors Service; for nonrevolving consumer loans, Call Report.

Net Flows into Mutual Funds

(Billions of dollars, monthly rate)

Fund type	2007	2008		2009			Assets Feb.
		H1	H2	Jan.	Feb.	Mar. ^e	
Total long-term funds	18.6	11.9	-49.9	25.0	-12.1	-12.2	5,146
Equity funds	7.7	-3.4	-36.0	8.9	-25.0	-28.1	3,104
Domestic	-3.9	-4.8	-20.8	6.7	-14.3	-16.3	2,385
International	11.6	1.4	-15.3	2.2	-10.8	-11.8	719
Hybrid funds	1.8	1.4	-4.9	-0.4	-4.3	-3.9	441
Bond funds	9.0	14.0	-8.9	16.5	17.2	19.8	1,601
High-yield	-0.2	-0.2	0.1	3.1	1.2	4.1	118
Other taxable	8.4	11.2	-7.4	9.5	11.7	12.2	1,123
Municipals	0.9	2.9	-1.6	3.9	4.3	3.6	361
Money market funds	62.5	56.1	59.6	63.7	-10.1	-53.5	3,892

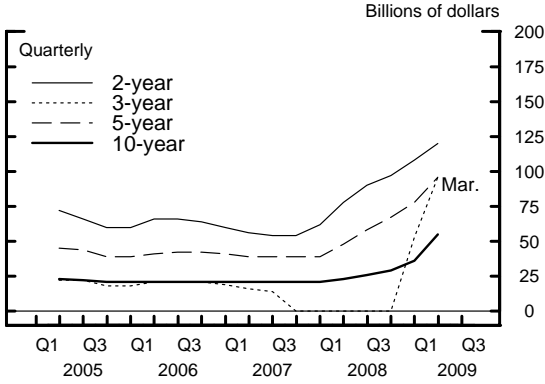
Note: Excludes reinvested dividends.

e Staff estimate.

Source: Investment Company Institute.

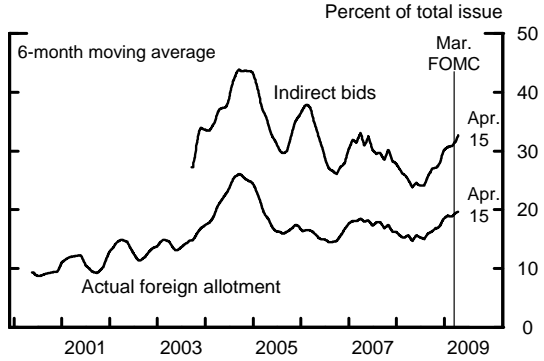
Treasury Finance

Treasury Auction Amounts



Source: U.S. Treasury Dept.

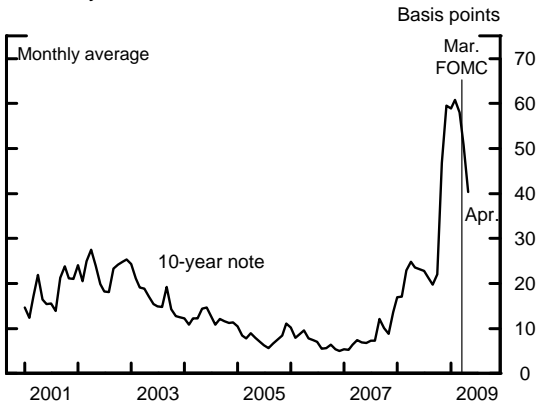
Foreign Participation in Treasury Auctions



Note: Indirect bids and actual allotment are a percentage of the total amount accepted, including the amount tendered to the Federal Reserve. Moving averages include 2-, 5-, and 10-year original auctions and reopenings.

Source: Federal Reserve Board.

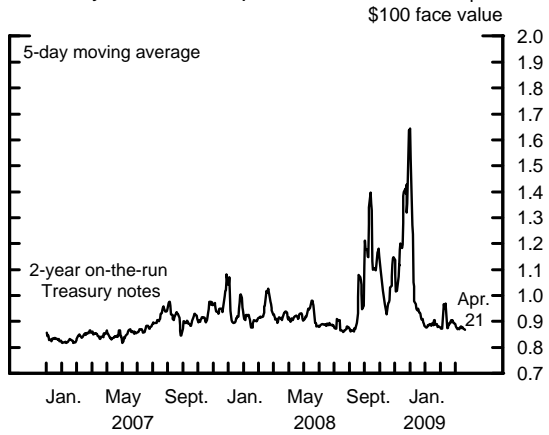
Treasury On-the-Run Premium



Note: Computed as the spread of the yield read from an estimated off-the-run yield curve over the on-the-run Treasury yield. March observation is the month-to-date average.

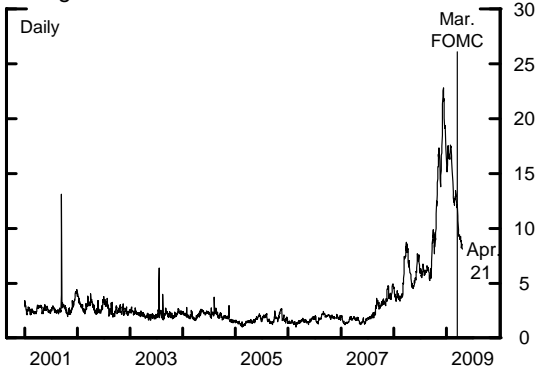
Source: Federal Reserve Bank of New York.

Treasury Bid-Asked Spread



Source: BrokerTec Interdealer Market Data.

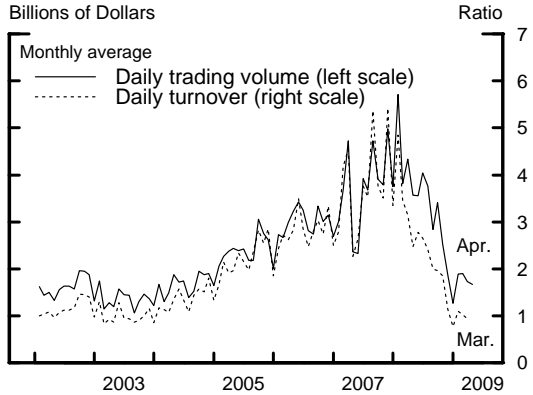
Average Absolute Nominal Yield Curve Fitting Error



Note: Calculated from securities with 2 to 10 years until maturity, excluding on-the-run and first off-the-run securities.

Source: Federal Reserve Board.

Daily Treasury Market Volume and Turnover



Note: April observation is the month-to-date average.

Source: BrokerTec Interdealer Market Data.

State and Local Government Finance

Gross Offerings of Municipal Securities

(Billions of dollars; monthly rate, not seasonally adjusted)

Type of security	2005	2006	2007	2008		2009	
				H1	H2	Q1	Apr. ^p
Total	38.4	36.1	40.4	41.6	33.1	30.6	30.0
Long-term ¹	34.2	32.5	35.5	38.0	26.6	28.8	29.0
Refundings ²	15.6	10.6	12.6	18.0	11.0	10.7	10.0
New capital	18.6	21.9	22.9	20.1	15.6	18.1	19.0
Short-term	4.2	3.7	4.9	3.6	6.5	1.8	1.0
Memo: Long-term taxable	2.1	2.5	2.4	2.7	1.8	1.1	1.0

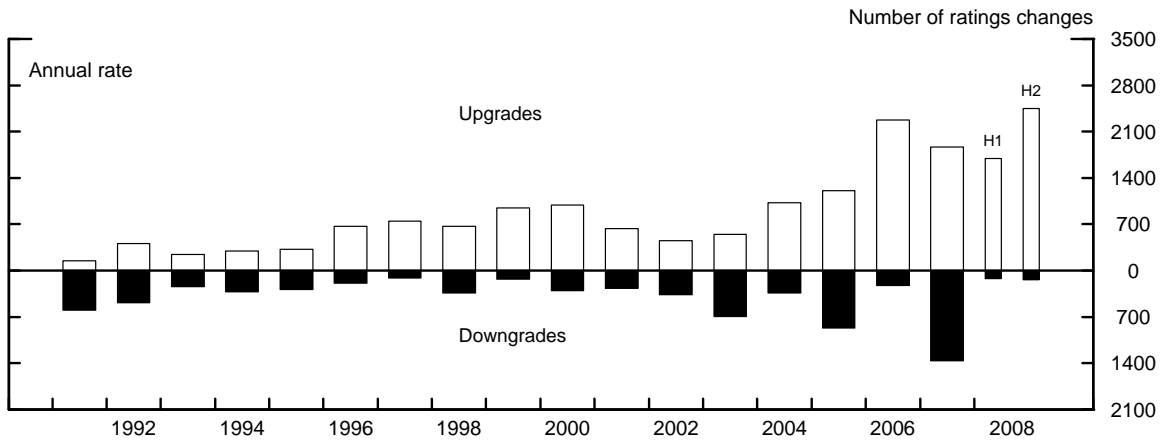
1. Includes issues for public and private purposes.

2. All issues that include any refunding bonds.

^p Forecast based on preliminary data through April 16, 2009.

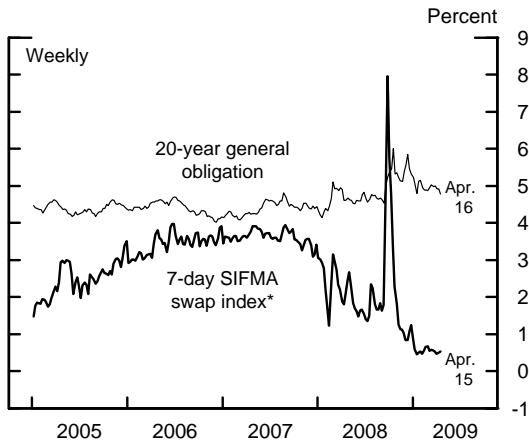
Source: Thomson Financial.

Ratings Changes



Note: Recent upgrades reflect S&P's change of rating standard.
Source: S&P's Credit Week Municipal; S&P's Ratings Direct.

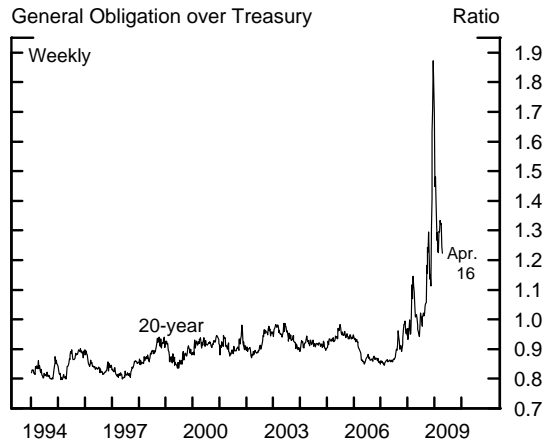
Municipal Bond Yields



* SIFMA is the Securities Industry and Financial Markets Association.

Source: Municipal Market Advisors; Bond Buyer.

Municipal Bond Yield Ratio



Source: Bond Buyer.

Treasury Finance

Over the intermeeting period, the Treasury conducted auctions for 2- through 10-year nominal coupon securities totaling \$158 billion and for 10-year TIPS totaling \$6 billion. Auction results were mixed, perhaps reflecting the volume of issuance; the 5-year nominal issue, in particular, attracted a relatively weak bid-to-cover ratio. Indicators of foreign participation in Treasury auctions continued to trend upward.

The functioning of Treasury markets showed some signs of recovery over the intermeeting period. Premiums paid for on-the-run Treasury securities fell, average bid-asked spreads for Treasury notes were relatively stable near their pre-crisis levels, pricing errors from staff yield curve models decreased for both nominal Treasury and TIPS securities, and conditions in Treasury-repo markets improved somewhat. Still, daily Treasury trading volumes remained low.

State and Local Government Finance

Gross issuance of long-term municipal bonds remained solid in April, but the composition of new issues continued to be unusually skewed toward higher-rated borrowers. Short-term issuance has been weak, about in line with typical seasonal patterns. Yields on long-term municipal bonds declined, on net, and ratios of municipal bond yields to those on comparable-maturity Treasury securities narrowed slightly but remained high by historical standards.

Money and Bank Credit

M2 expanded at an annual rate of about 11 percent in March, as rapid growth in liquid deposits, the largest component of M2, was likely fueled by further reallocations by households toward safer assets. Retail money market funds and small time deposits contracted modestly. Currency increased briskly in March, bolstered by elevated foreign demand. The monetary base expanded rapidly over the intermeeting period, boosted by increases in reserves due to the Federal Reserve's asset purchase programs.

Commercial bank credit shrank at an annual rate of 3¾ percent in March, as a decline in loans—amid generally weaker demand and tighter lending standards—was only partly offset by increased holdings of securities. C&I loans declined sharply in March, and the runoff continued into early April. In the April Senior Loan Officer Opinion Survey, the net fraction of respondents that indicated they had tightened standards and terms for C&I loans was elevated but down somewhat from the January survey. More than one-half of

M2 Monetary Aggregate
(Based on seasonally adjusted data)

Aggregate and components	Percent change (annual rate) ¹						Level (billions of dollars), Mar.
	2007	2008	2008	2009			
			Q4	Q1	Feb.	Mar.	
M2	5.8	8.3	14.3	13.1	4.5	10.9	8,313
Components ²							
Currency	2.0	5.8	13.7	14.4	15.3	10.5	842
Liquid deposits ³	4.1	7.0	10.0	20.6	12.0	19.1	5,088
Small time deposits	4.3	11.3	34.4	1.8	-8.6	-6.7	1,347
Retail money market funds	20.6	12.3	10.0	-7.4	-21.9	-5.4	1,032
Memo:							
Institutional money market funds	40.2	24.6	8.8	29.9	8.5	1.5	2,492
Monetary base	2.0	70.4	252.0	64.5	-103.5	66.1	1,640

1. For years, Q4 to Q4; for quarters and months, calculated from corresponding average levels.

2. Nonbank traveler's checks are not listed.

3. Sum of demand deposits, other checkable deposits, and savings deposits.

Source: Federal Reserve.

Commercial Bank Credit

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

Type of credit	2007	2008	H2 2008	Q4 2008	Q1 2009	Feb. 2009	Mar. 2009	Level ¹ Mar. 2009
Total	10.9	4.5	4.7	6.4	-6.8	-3.2	-3.7	9,443
<i>Loans²</i>								
Total	11.3	4.4	2.6	3.1	-6.3	.7	-7.1	7,094
To businesses								
Commercial and industrial	19.0	14.2	13.0	18.3	-9.7	-7.8	-12.8	1,544
Commercial real estate	10.7	6.4	2.9	2.0	-1.0	-.6	-1.7	1,727
To households								
Residential real estate	6.8	-2.3	-3.8	-.7	-.5	11.2	2.5	2,104
Revolving home equity	6.4	12.9	12.9	13.1	8.3	5.0	8.6	601
Closed-end mortgages	6.9	-7.1	-9.5	-5.8	-4.0	13.6	.0	1,503
Consumer	6.6	7.9	7.4	6.0	7.4	11.6	-10.0	893
Originated ³	6.0	6.4	4.7	3.3	1.9	3.8	-7.3	1,301
Other	17.1	-1.6	-4.5	-13.7	-36.6	-18.0	-28.5	827
<i>Securities</i>								
Total	9.5	4.7	11.6	16.7	-8.1	-15.1	6.7	2,349
Treasury and agency	-5.6	19.4	37.7	51.6	3.1	-22.0	7.4	1,395
Other ⁴	31.1	-10.3	-16.1	-23.3	-23.5	-4.8	5.8	954

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), and the initial adoption of fair value accounting. Data also account for the effects of nonbank structure activity of \$5 billion or more.

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 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.

respondents in the survey also saw a further weakening in demand for such loans. Commercial real estate loans on bank balance sheets declined modestly in March and early April.

In terms of loans to households, residential mortgages on bank balance sheets were flat in March, held down by record sales of single-family mortgages from banks to the GSEs. In contrast, revolving home equity lines of credit (HELOCs) expanded at a robust pace despite reports in the April Senior Loan Officer Opinion Survey that banks had, on net, continued tightening standards for new HELOCs and trimming the size of existing lines. On-balance-sheet holdings of consumer loans shrank 10 percent in March, mostly because of securitizations, including one by an institution that had announced its intention to participate in the TALF.

Appendix

Senior Loan Officer Opinion Survey on Bank Lending Practices

The April 2009 Senior Loan Officer Opinion Survey on Bank Lending Practices addressed changes in the supply of, and demand for, loans to businesses and households over the past three months. The survey also included two sets of special questions: The first set asked banks about their expectations for delinquencies and charge-offs on existing loans to business and households; the second set queried banks about international trade finance. This appendix is based on responses from 53 domestic banks and 23 U.S. branches and agencies of foreign banks.¹

In the April survey, the net fractions of respondents that reported having tightened their business lending policies over the previous three months—while staying very elevated—edged down for the second consecutive survey. In contrast, somewhat larger net percentages of domestic banks reported having tightened credit standards on residential mortgages than in the January survey. The net percentage of domestic respondents that reported having tightened their lending policies on credit card loans remained about unchanged from the January survey, while the net fraction that reported having tightened their policies on other consumer loans fell. Respondents indicated that demand for loans from both businesses and households continued to weaken for nearly all types of loans over the survey period, an exception being demand for prime mortgages, a category of loans that registered an increase in demand for the first time since the survey began to track prime mortgages separately in April 2007.

In response to the special questions on the outlook for loan quality, a significant majority of banks reported that credit quality for all types of loans was likely to deteriorate over the year assuming the economy progresses according to consensus forecasts. In response to the special questions on international trade finance, the majority of domestic institutions that provide such credit and a substantial fraction of foreign institutions reported having tightened standards over the past six months.

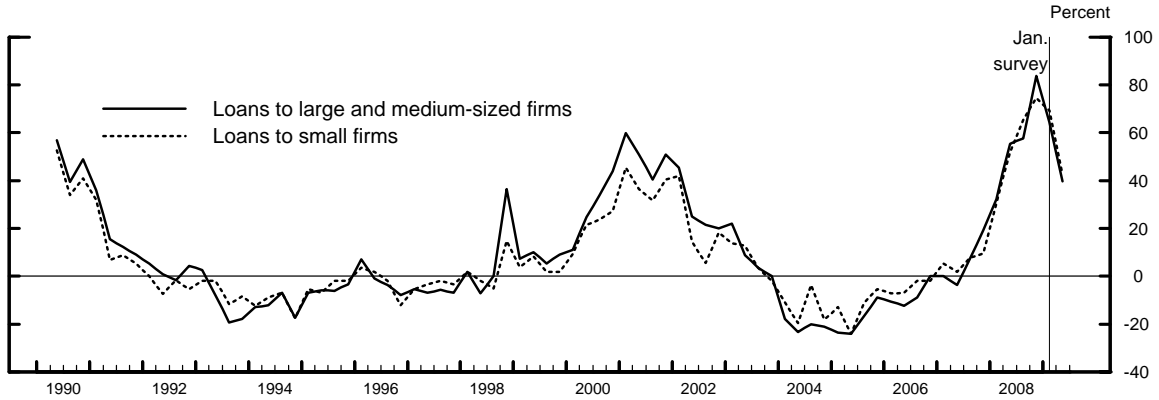
Lending to Businesses

Questions on commercial and industrial lending. About 40 percent of domestic respondents, on net, reported tightening their credit standards on commercial and industrial (C&I) loans to firms of all sizes over the past three months, down from around 65 percent in the January survey. On balance, domestic banks have reported tightening their credit standards on C&I loans to large and middle-market firms for eight consecutive surveys and to small firms for ten consecutive surveys. Although the latest net fractions—about 40 percent—are still very elevated, the April survey, nonetheless, marks the first time since January 2008 that the proportions of banks reporting such tightening fell below 50 percent. Similarly, the net fractions of domestic

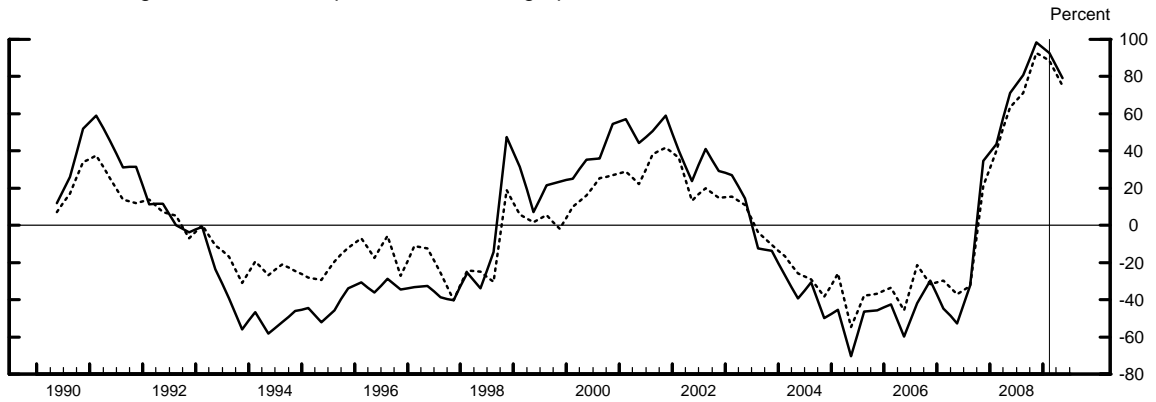
¹ Respondent banks received the survey on or after March 31, 2009, and their responses were due April 14, 2009.

Measures of Supply and Demand for Commercial and Industrial Loans, by Size of Firm Seeking Loan

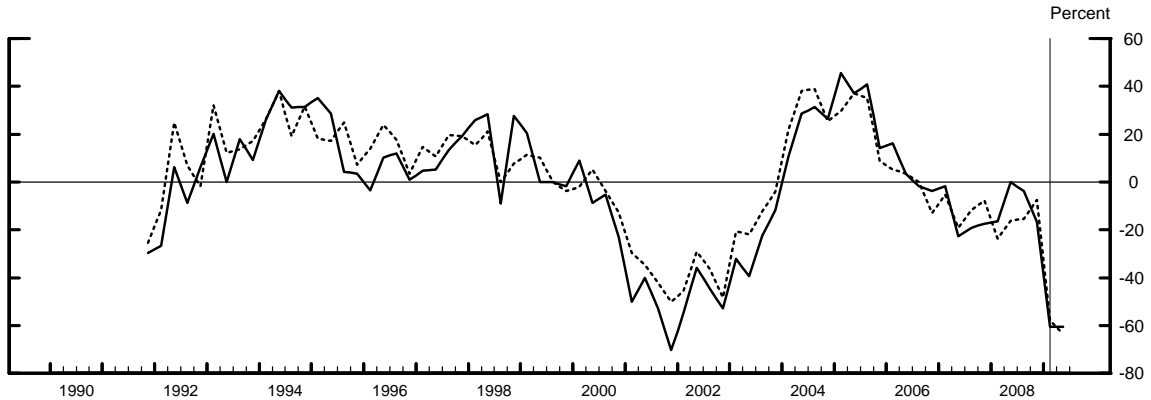
Net Percentage of Domestic Respondents Tightening Standards for Commercial and Industrial Loans



Net Percentage of Domestic Respondents Increasing Spreads of Loan Rates over Banks' Costs of Funds



Net Percentage of Domestic Respondents Reporting Stronger Demand for Commercial and Industrial Loans



respondents that reported tightening various terms on C&I loans over the past three months remained elevated but were slightly lower than those reported in the January survey. Specifically, about 80 percent of domestic banks, on balance, indicated they had increased spreads of loan rates over their cost of funds for C&I loans to large and middle-market firms, compared with around 95 percent in January. About 75 percent of domestic respondents indicated that they had increased such spreads for C&I loans to small firms, down from about 90 percent in January. A significant majority of banks also reported having charged higher premiums on riskier loans and having increased the costs of credit lines over the survey period.

U.S. branches and agencies of foreign banks also tightened their business lending stance further over the past three months. About 30 percent of foreign banks, on net, reported tightening credit standards for C&I loans, compared with 65 percent in January. As was the case with their domestic counterparts, significant fractions of foreign banks further tightened various terms on C&I loans, though these fractions were somewhat lower than in January. On balance, over 65 percent of foreign respondents reported an increase in premiums charged on riskier loans and in the cost of credit lines and about 60 percent of foreign banks reported an increase in spreads of loan rates over their cost of funds.

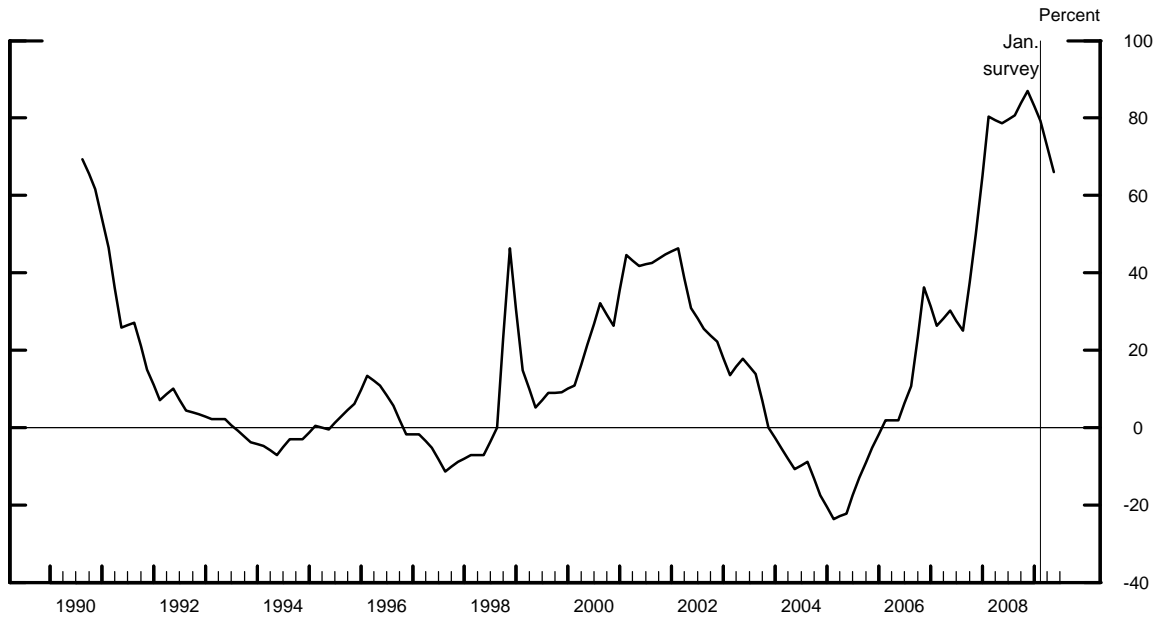
Large majorities of both domestic and foreign banks reported less favorable or more uncertain economic outlook, worsening of industry-specific problems, and reduced tolerance for risk as important reasons for the tightening credit standards and terms on C&I loans. A substantial majority of foreign respondents also indicated that an increase in defaults by borrowers in public debt markets, decreased liquidity in the secondary market for business loans, and deterioration in their banks' expected capital position were important reasons for the change in C&I lending policies over the survey period.

On balance, about 60 percent of domestic banks reported a further weakening of demand for C&I loans from firms of all sizes over the past three months, similar to the fraction reported in the January survey. In contrast, foreign banks, on net, saw little change in demand over the survey period, compared with about 25 percent that reported weaker demand in the January survey.

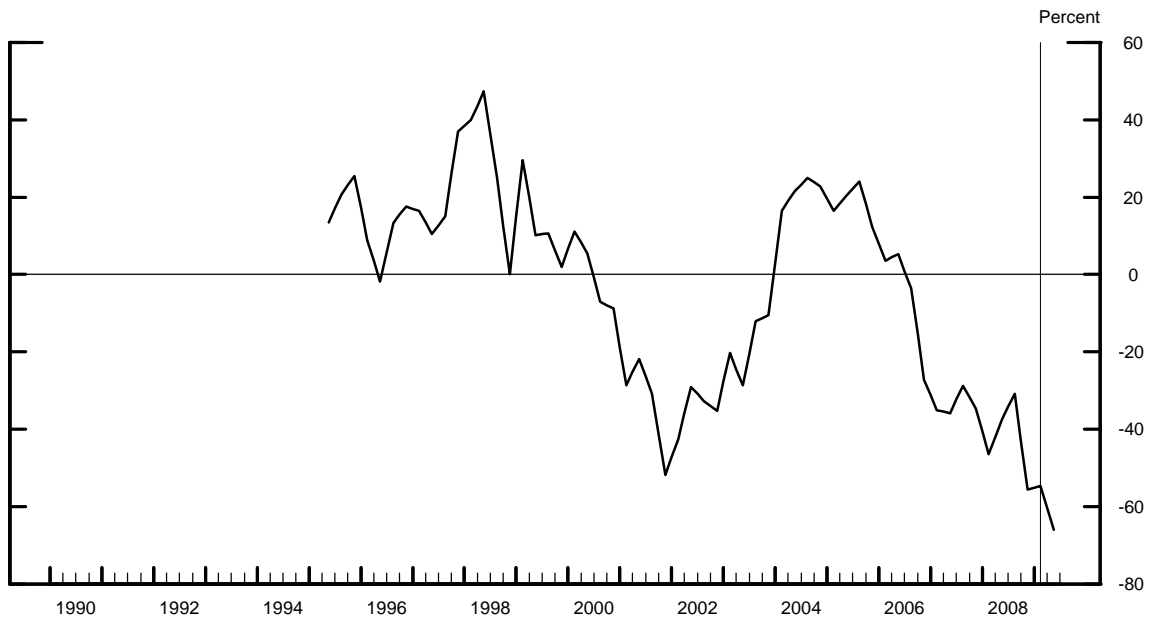
All foreign respondents and 37 of the 38 domestic banks that saw weaker demand for C&I loans over the past three months indicated that a decrease in their customers' needs to finance investment in plant or equipment was an important reasons for the change in loan demand. Substantial majorities of the domestic institutions that had experienced such weaker demand also pointed to decreases in their customers' needs to finance inventories, accounts receivables, and mergers and acquisitions. In addition, about 35 percent of domestic respondents, on net, reported that inquiries from potential business borrowers had decreased during the survey period, a fraction similar to that in the January survey. In contrast, only about 5 percent of foreign respondents, on net, reported a decrease in such inquiries.

Measures of Supply and Demand for Commercial Real Estate Loans

Net Percentage of Domestic Respondents Tightening Standards for Commercial Real Estate Loans



Net Percentage of Domestic Respondents Reporting Stronger Demand for Commercial Real Estate Loans



Questions on commercial real estate lending. About 65 percent of domestic banks, on net, reported tightening their lending standards on commercial real estate (CRE) loans over the past three months, compared to about 80 percent in the January survey. On balance, domestic banks have been tightening credit standards on CRE loans for 14 consecutive surveys, and the April survey marks the first time the net fraction of banks reporting such tightening fell below 70 percent since October 2007. About 35 percent of foreign branches and agencies also reported tightening their lending standards on CRE loans over the survey period. The demand for CRE loans weakened further at survey respondents over the past three months. About 65 percent of domestic banks, on balance, reported weaker demand for CRE loans, the highest net fraction so reporting since the survey began tracking demand for CRE loans in April 1995. In contrast, the net fraction of foreign banks that reported a decrease in demand for CRE loans was about 35 percent, somewhat smaller than in the January survey.

Lending to Households

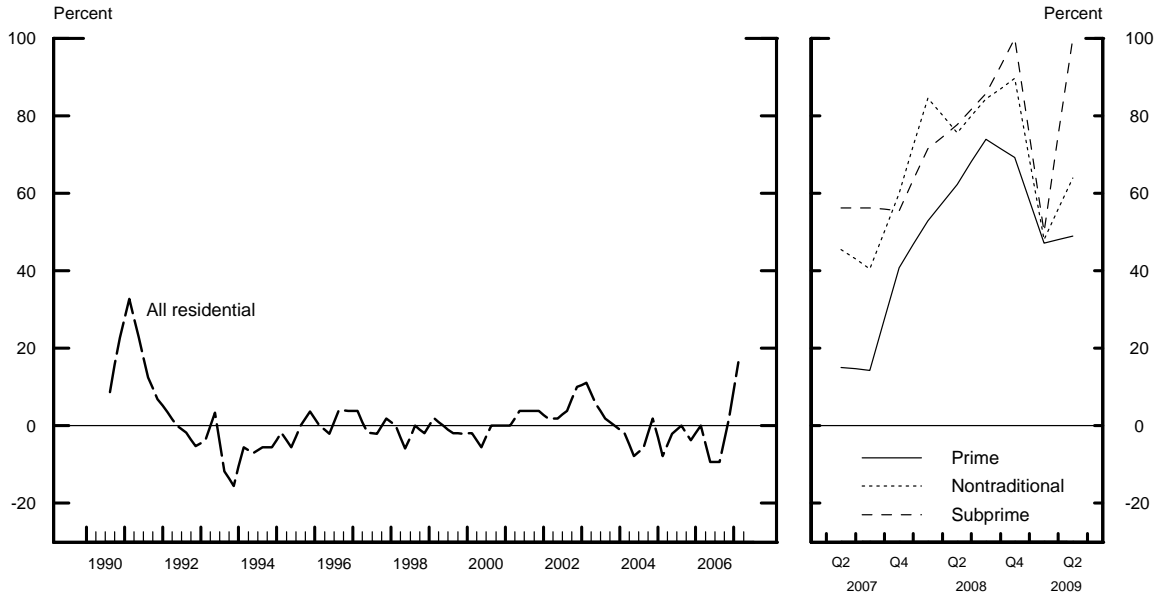
Questions on residential real estate lending. Somewhat larger fractions of domestic respondents reported having tightened their lending standards on prime and nontraditional residential mortgages in the April survey than in the January survey. About 50 percent of domestic respondents indicated that they had tightened their lending standards on prime mortgages over the past three months, and about 65 percent of the 25 banks that originated nontraditional residential mortgage loans over the survey period reported having tightened their lending standards on such loans. About 35 percent of domestic respondents saw stronger demand, on net, for prime residential mortgage loans over the past three months, a substantial change from the roughly 10 percent that reported weaker demand in the January survey. However, the level of mortgage refinancing has increased noticeably over the survey period, and the responses to this question are highly correlated with such activity; even though banks are asked to abstract from mortgage refinancing in answering this question, it may be difficult for them to do so. About 10 percent of respondents reportedly experienced weaker demand for nontraditional mortgage loans over past three months—a substantially lower proportion than in the January survey. Only two banks reported making subprime mortgage loans over the same period.

On net, about 50 percent of domestic respondents, down from roughly 60 percent in the January survey, noted that they had tightened their lending standards for approving applications for revolving home equity lines of credit (HELOCs) over the past three months. Regarding demand, about 30 percent of domestic banks, on net, reported weaker demand for HELOCs over the past three months, slightly more than the fraction that had reported weaker demand in the January survey.

Questions on consumer lending. Large fractions of domestic banks again reported a tightening of standards and terms on both credit card and other consumer loans over the past three months. Nearly 60 percent of respondents indicated that they had tightened lending standards on credit

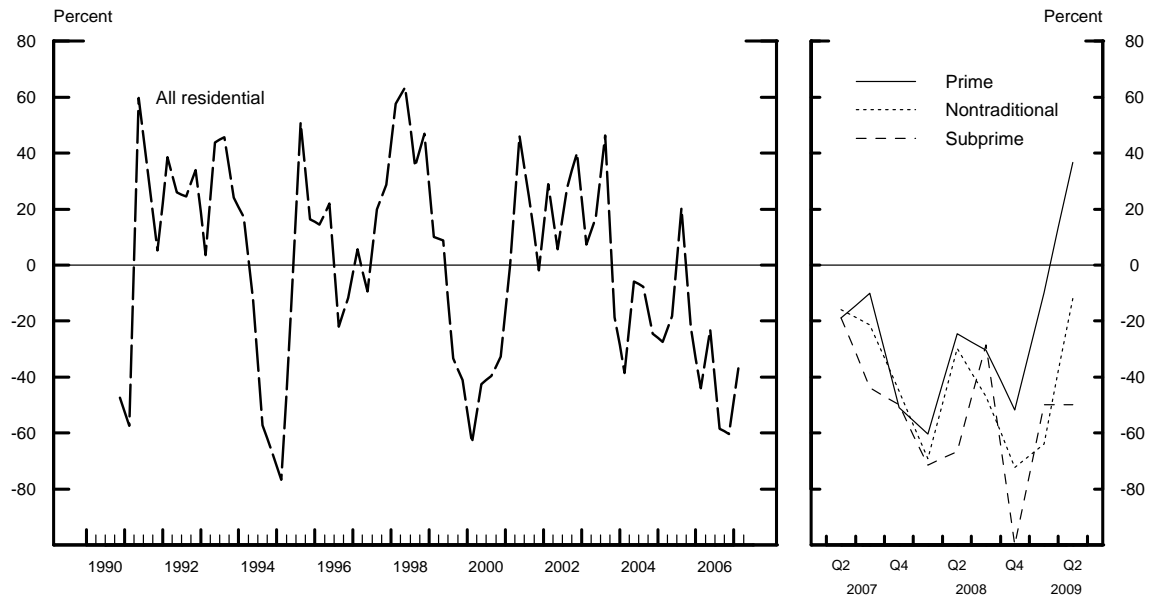
Measures of Supply and Demand for Residential Mortgage Loans

Net Percentage of Domestic Respondents Tightening Standards for Residential Mortgage Loans



Note: For data starting in 2007:Q2, changes in standards for prime, nontraditional, and subprime mortgage loans are reported separately.

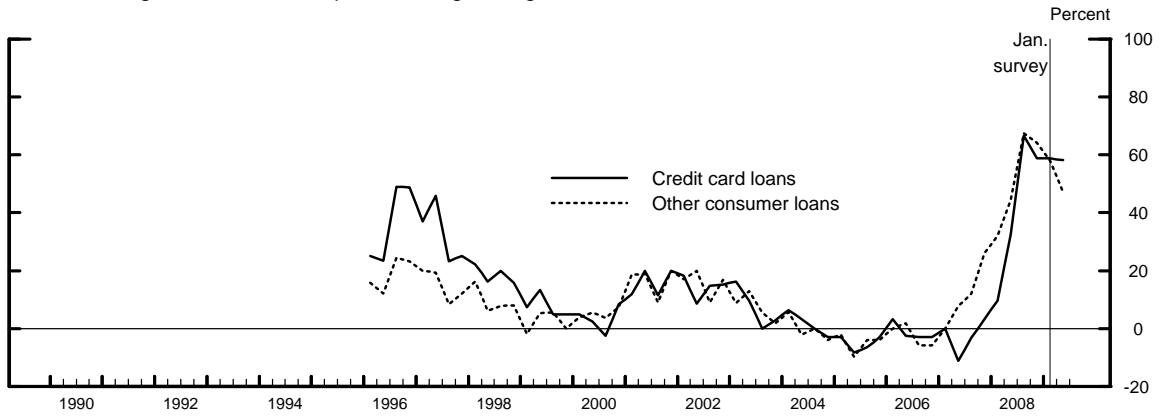
Net Percentage of Domestic Respondents Reporting Stronger Demand for Residential Mortgage Loans



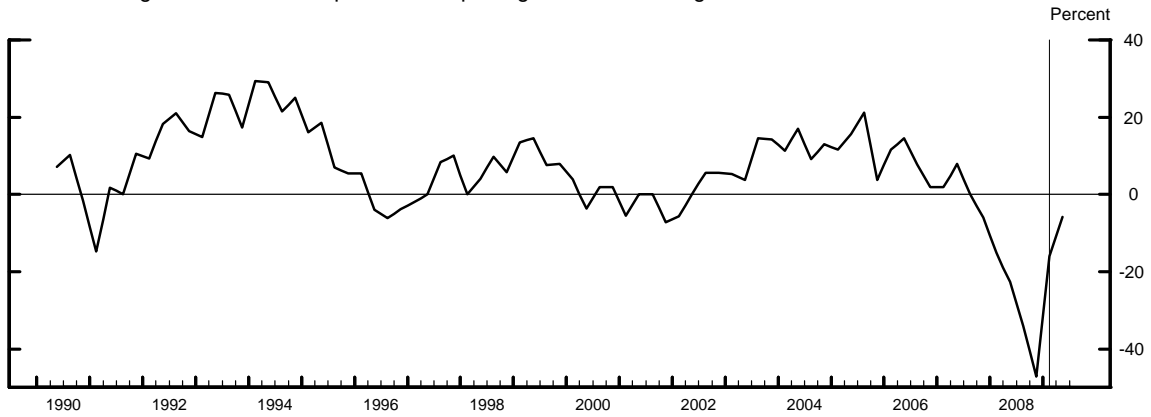
Note: For data starting in 2007:Q2, changes in demand for prime, nontraditional, and subprime mortgage loans are reported separately.

Measures of Supply and Demand for Consumer Loans

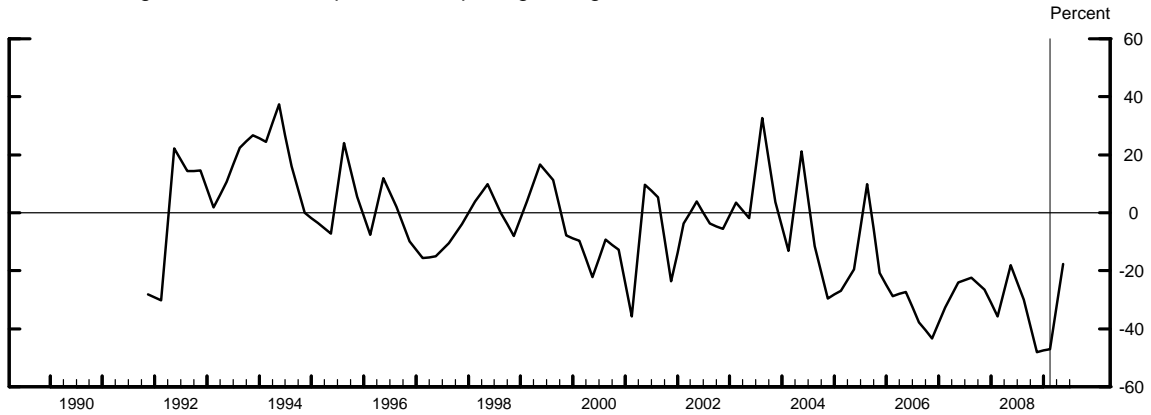
Net Percentage of Domestic Respondents Tightening Standards for Consumer Loans



Net Percentage of Domestic Respondents Reporting Increased Willingness to Make Consumer Installment Loans



Net Percentage of Domestic Respondents Reporting Stronger Demand for Consumer Loans



card loans, about the same as in the January survey. About 50 percent of respondents reported tightening standards on other consumer loans, down from 60 percent in the January survey. Turning to loan terms, about 50 percent of respondents reported having reduced the extent to which credit card accounts were granted to customers who did not meet their bank's credit-scoring thresholds, and a similar fraction reported pulling back from granting other kinds of consumer loans to such customers. Roughly 55 percent of the respondents reported having raised minimum required credit scores on credit card accounts over the past three months, a somewhat higher proportion than in the January survey. About 45 percent of respondents reported having raised scores on consumer loans other than credit cards, and about 65 percent of banks indicated that they had lowered credit limits to either new or existing credit card customers, up from the 45 percent that had reported doing so in the January survey. In contrast, only about 5 percent of domestic banks, on net, indicated that they had become less willing to make consumer installment loans over the past three months, down from 15 percent in the January survey and 45 percent late last year. Regarding demand, about 20 percent of respondents, on net, indicated that they had experienced weaker demand for consumer loans of all types over the past three months, down substantially from the fraction so reporting in the January survey.

Questions on existing credit lines. The April survey repeated a special question from the January survey that queried banks on how they had changed over the past three months the sizes of credit lines for existing customers for a number of account types. Regarding existing accounts for businesses, roughly 55 percent of domestic respondents, on balance, reported a decrease in the limits on CRE accounts, slightly lower than in the January survey. About 55 percent of respondents indicated a decrease in the limits on credit lines extended to financial firms, up slightly from the January survey. About 30 percent indicated a decrease in credit limits on business credit card accounts, about the same as in the previous survey, and roughly 40 percent noted a decrease in the size of C&I credit lines, up significantly from the January survey. On net, a large fraction of foreign banks also decreased limits on credit lines extended to financial firms, CRE credit lines, and C&I credit lines. Regarding existing accounts for households, about 40 percent of domestic banks, on net, reported having reduced the sizes of existing HELOCs, about the same as in the January survey, and approximately 50 percent reported having trimmed existing consumer credit card account limits, up from 35 percent in the January survey.

Special Questions on the Outlook for Loan Quality in 2009

A set of special questions asked banks about their expectations for delinquencies and charge-offs on loans to businesses and households in 2009, under the assumption that economic activity progresses in line with consensus forecasts. The vast majority of domestic and foreign respondents indicated that they expect deterioration in credit quality for all types of business and household loans. For each major category of loans considered in the survey, more than 70 percent of respondents, on net, reported that the quality of their bank's loan portfolio is likely to deteriorate this year, with more than 90 percent of domestic respondents reporting that loan quality is likely to deteriorate for nontraditional mortgages, credit card loans, and CRE loans.

Special Questions on International Trade Finance

A final set of special questions queried both domestic and foreign respondents about their provision of international trade finance (trade credit), which may consist of letters of credit guaranteeing payment, overdraft facilities, and other mechanisms for facilitating trade. About 65 percent of domestic and 80 percent of foreign respondents reported providing such credit. About 60 percent of those domestic respondents and nearly 45 percent of those foreign respondents who provided such finance reported tightening standards or terms over the past six months. More than 80 percent of domestic banks that reported having tightened standards or terms cited a less favorable or more uncertain economic outlook abroad, increased concern about foreign country risk, worsening industry-specific problems, reduced tolerance for risk, and a less favorable or more uncertain economic outlook in the United States as reasons for the tightening. All of the eight foreign banks that reported tightening their standards and terms on international trade finance cited a less favorable or more uncertain economic outlook in the United States and abroad and an increase in concern about foreign country risk as important reasons for the tightening. On net, about 70 percent of domestic respondents and about 10 percent of foreign respondents reportedly experienced weaker demand for trade credit over the past six months.

International Developments

International Developments

U.S. International Transactions

Trade in Goods and Services

The U.S. international trade deficit narrowed sharply in February to \$26 billion from a revised \$36.2 billion in January. The narrowing of the deficit was mainly driven by a sharp decline in imports, although a rise in exports also contributed. February's trade deficit was the narrowest since November 1999.

Trade in Goods and Services

	2008	Annual rate			Monthly rate		
		2008		2009	2008	2009	
		Q3	Q4	Q1 ^e	Dec.	Jan.	Feb.
Percent change							
<i>Nominal BOP</i>							
Exports	-2.9	9.2	-42.6	-36.7	-5.8	-5.9	1.6
Imports	-7.5	6.2	-49.0	-51.4	-5.8	-6.7	-5.1
<i>Real NIPA</i>							
Exports	-1.8	3.0	-23.6	n.a.	...	...	...
Imports	-7.5	-3.5	-17.5	n.a.	...	...	...
Billions of dollars							
<i>Nominal BOP</i>							
Net exports	-681.1	-723.5	-561.5	-373.1	-39.9	-36.2	-26.0
Goods, net	-820.8	-865.0	-696.5	-502.8	-51.3	-46.9	-36.9
Services, net	139.7	141.5	134.9	129.7	11.4	10.7	10.9

e. BOP data are two months at an annual rate.

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

BOP Balance of payments.

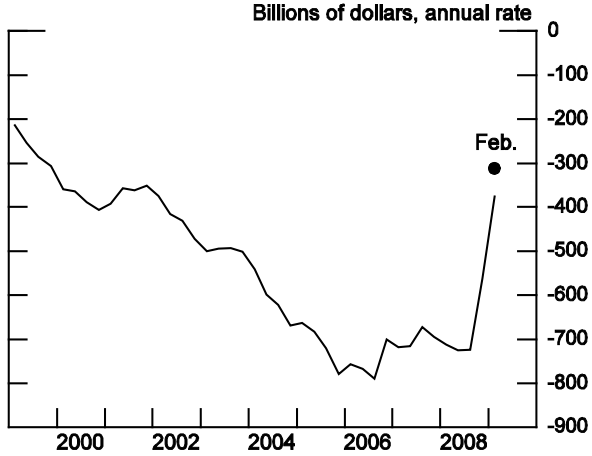
NIPA National income and product accounts.

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis;
Census Bureau.

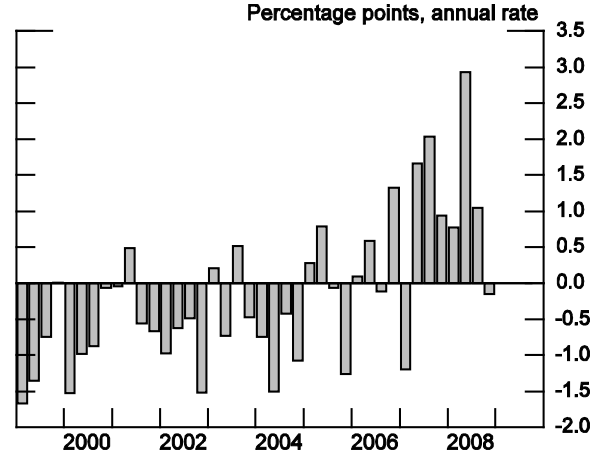
Following steep declines in previous months, the value of exports of goods and services rose 1.6 percent in February. About one-half of this increase was accounted for by a sizable gain in exports of consumer goods, which in turn reflected a surge in exports of pharmaceuticals products. However, most other categories of exports also moved up. Exports of capital goods increased despite a modest decline in exports of aircraft. Exports of automotive products increased after a steep drop in January. In contrast, exports of services declined.

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

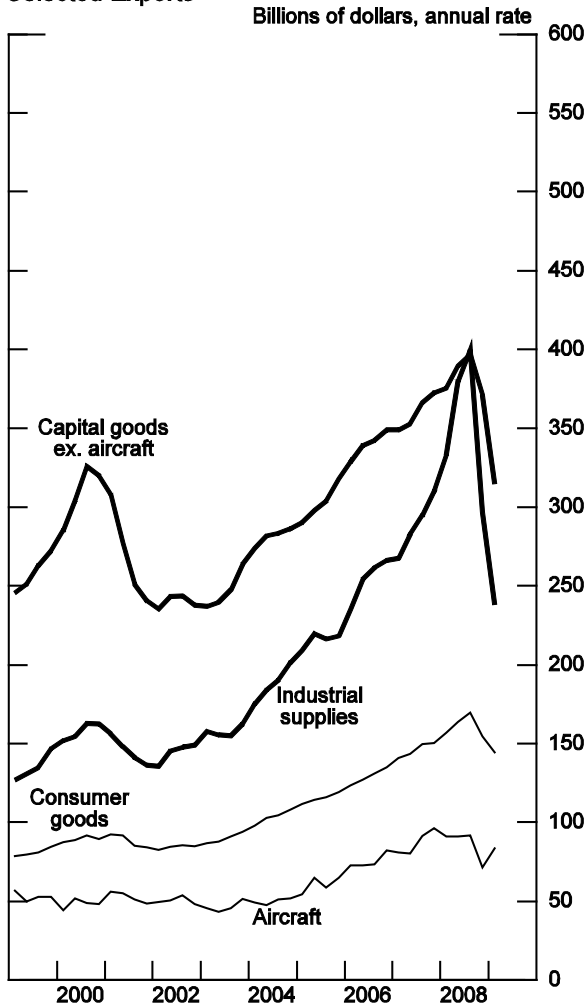
Trade Balance



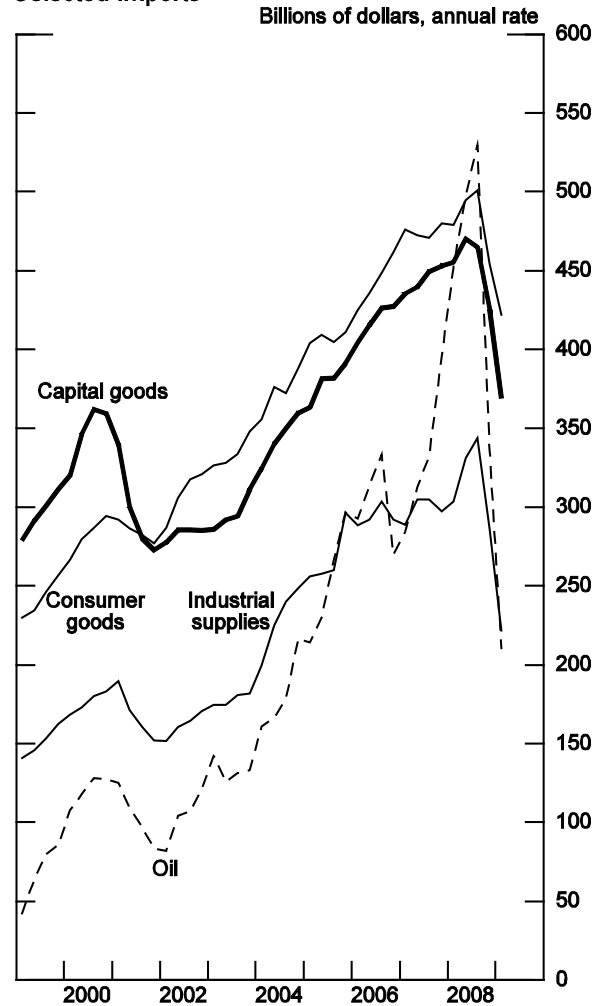
Contribution of Net Exports to Growth of Real Gross Domestic Product



Selected Exports



Selected Imports



Source: U.S. Dept. of Commerce, Bureau of Economic Analysis; Census Bureau.

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

	Levels				Change ¹			
	2008	2009	2009		2008	2009	2009	
	Q4	Q1 ^e	Jan.	Feb.	Q4	Q1 ^e	Jan.	Feb.
Exports of goods and services	1692.0	1508.9	1496.7	1521.1	-251.7	-183.1	-93.5	24.3
Goods exports	1162.0	1001.6	986.9	1016.3	-223.1	-160.4	-78.1	29.4
Gold	13.4	13.8	15.5	12.0	-4.3	.4	3.0	-3.6
Other goods	1148.6	987.8	971.3	1004.3	-218.7	-160.8	-81.1	33.0
Capital goods	442.4	398.7	397.6	399.7	-45.7	-43.7	-34.7	2.0
Aircraft & parts	71.3	83.5	87.6	79.5	-20.2	12.3	-2.2	-8.1
Computers & accessories	38.9	35.8	35.4	36.1	-7.4	-3.1	-1.6	.7
Semiconductors	44.4	33.0	31.3	34.7	-9.2	-11.4	-5.7	3.4
Other capital goods	287.9	246.3	243.4	249.3	-8.9	-41.5	-25.1	6.0
Automotive	106.9	69.1	66.3	71.9	-24.4	-37.8	-26.2	5.7
Ind. supplies (ex. ag., gold)	296.9	238.4	235.8	241.0	-102.5	-58.5	-11.7	5.2
Consumer goods	154.7	144.6	136.7	152.5	-14.6	-10.1	-10.8	15.8
Agricultural	100.1	93.2	90.8	95.7	-28.0	-6.9	1.7	4.9
All other goods	47.6	43.9	44.2	43.6	-3.3	-3.7	-10.7	-6
Services exports	530.0	507.3	509.8	504.8	-28.6	-22.6	-15.3	-5.1
Imports of goods and services	2253.5	1882.0	1931.3	1832.7	-413.6	-371.5	-137.7	-98.7
Goods imports	1858.5	1504.4	1550.2	1458.6	-391.6	-354.1	-130.0	-91.6
Oil	334.9	210.2	219.1	201.2	-194.1	-124.7	-48.5	-17.9
Gold	6.6	6.4	5.6	7.2	-6.1	-.2	.9	1.6
Other goods	1517.0	1287.8	1325.5	1250.2	-191.4	-229.2	-82.5	-75.3
Capital goods	425.2	368.7	380.2	357.3	-39.7	-56.4	-24.9	-23.0
Aircraft & parts	32.3	29.8	28.5	31.0	-1.9	-2.5	-6.0	2.5
Computers & accessories	86.6	78.4	78.1	78.6	-16.7	-8.2	-.0	.5
Semiconductors	23.1	18.5	18.6	18.4	-3.1	-4.6	-2.1	-.2
Other capital goods	283.2	242.1	255.0	229.2	-18.0	-41.1	-16.8	-25.8
Automotive	195.2	132.7	138.4	127.1	-37.3	-62.5	-39.3	-11.3
Ind. supplies (ex. oil, gold)	285.9	221.0	234.3	207.7	-57.8	-64.9	-7.5	-26.6
Consumer goods	454.1	421.5	429.9	413.2	-46.5	-32.5	-3.8	-16.7
Foods, feeds, beverages	88.3	81.3	82.1	80.5	-3.6	-7.1	-3.2	-1.6
All other goods	68.3	62.5	60.6	64.5	-6.6	-5.8	-3.7	3.9
Services imports	395.0	377.6	381.1	374.1	-22.0	-17.4	-7.7	-7.1
Memo:								
Oil quantity (mb/d)	13.36	14.05	14.66	13.45	1.15	.71	-.12	-1.21
Oil import price (\$/bbl)	69.35	40.94	40.92	40.96	-48.98	-28.38	-8.65	.04

1. Change from previous quarter or month.

e Estimate based on average of two months.

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis; Census Bureau.

The average value of exports in January and February decreased about 37 percent at an annual rate, as all major categories of exports moved down. The decrease in exports of industrial supplies reflected lower prices and volumes, while the decrease in exports of automotive products reflected significant production cutbacks implemented by motor vehicle producers.

The value of imports of goods and services fell 5.1 percent in February, with all major categories displaying substantial declines. The decrease in imports of industrial supplies partly reflected lower prices for these goods. For oil, however, the decline in imports was driven by lower volumes as prices moved up slightly. The decline in imports of consumer goods was importantly driven by lower imports of toys and sporting goods, likely reflecting production disruptions in China related to the Lunar New Year.

The average value of imports in January and February declined about 51 percent at an annual rate after a 49 percent decline in the fourth quarter of 2008. About one-third of the decline reflected a fall in the value of oil imports, mostly on account of lower prices. All other major categories of imports also declined sharply.

Prices of Internationally Traded Goods

Non-oil imports. Prices of core imports fell 0.5 percent in March, with prices declining across all major subcategories. Prices for foods and nonfuel industrial supplies fell about 1 percent. Prices for consumer goods and capital goods excluding computers and semiconductors fell about 0.5 percent, while automotive product prices declined a modest 0.2 percent.

As measured by the Bureau of Labor Statistics (BLS), core import prices fell 11 percent at an annual rate in the first quarter, as prices declined in all major subcategories except automotive products. The main contributors to the overall price decline were foods and nonfuel industrial supplies, whose prices fell 10 percent and 35 percent, respectively. Finished goods prices fell $\frac{3}{4}$ percent, largely on the back of a $1\frac{1}{2}$ percent fall in consumer goods prices.

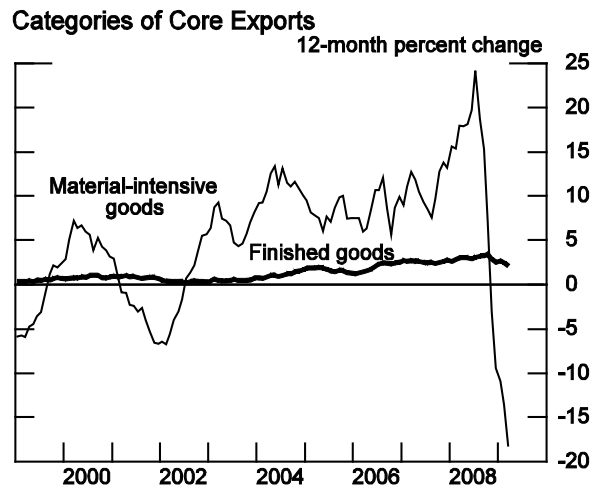
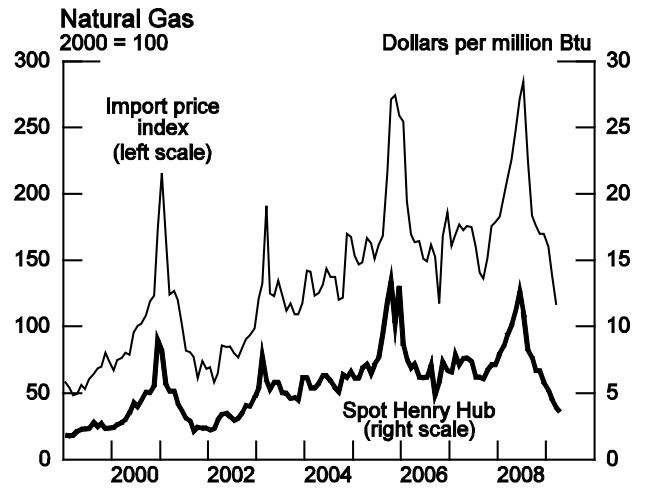
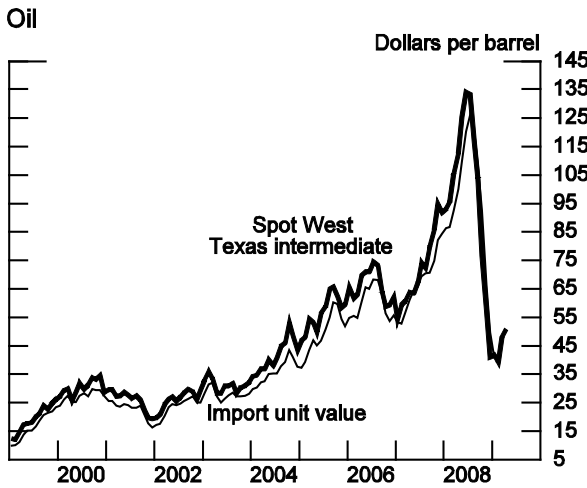
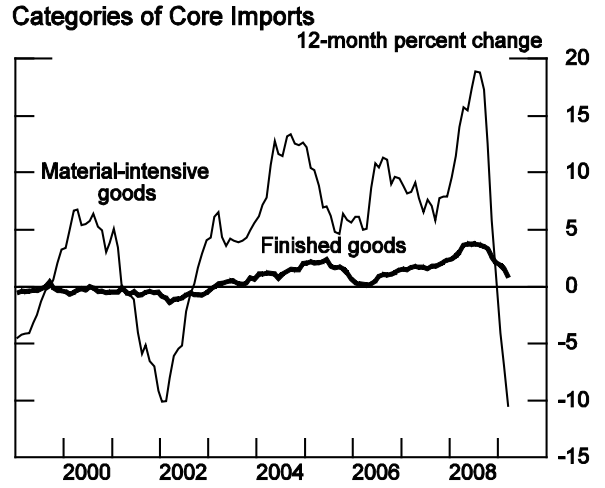
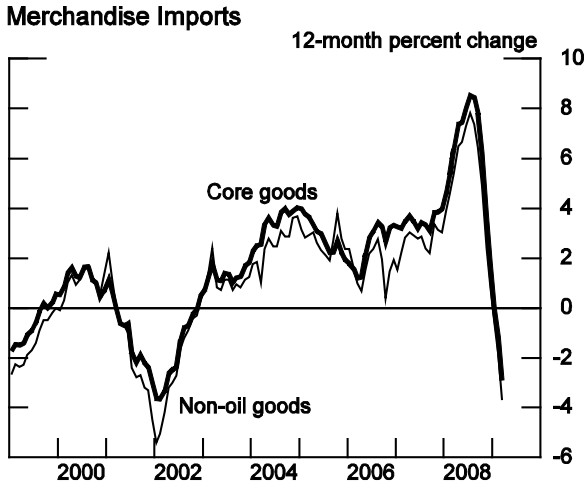
Oil. The BLS price index of imported oil rose $10\frac{1}{2}$ percent in March, marking the second consecutive monthly increase after a nearly 70 percent drop since July of last year. The spot price of West Texas intermediate (WTI) crude oil also increased in March, rising 20 percent to an average of \$48 per barrel for the month as a whole. Since

that time, the spot price of WTI has remained at about that level, closing on April 21 at \$46.51 per barrel.

Exports. Prices of exported core goods fell 0.7 percent in March, led by a 3.5 percent drop in the price of agricultural products. Prices of non-agricultural industrial supplies fell 0.9 percent, and prices of consumer goods dropped 0.5 percent. The prices of automotive products and capital goods excluding computers and semiconductors rose slightly.

In the BLS data, core export prices fell 10¾ percent at an annual rate in the first quarter, as the prices of material-intensive goods continued to decline sharply. The prices of agricultural products and non-agricultural industrial supplies fell 11½ percent and 28¾ percent, respectively. Within finished goods, the prices of consumer goods declined 1½ percent, while prices of capital goods excluding computers and semiconductors and of automotive products rose 4¼ percent and ½ percent, respectively.

Prices of U.S. Imports and Exports



Source: Bureau of Labor Statistics; Wall Street Journal; Commodity Research Bureau.

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

	Annual rate			Monthly rate		
	2008		2009	2009		
	Q3	Q4	Q1	Jan.	Feb.	Mar.
	----- BLS prices -----					
Merchandise imports	4.1	-47.8	-24.2	-1.2	-.1	.5
Oil	5.8	-93.2	-73.3	-4.9	5.2	10.5
Non-oil	3.3	-11.9	-10.5	-.7	-.7	-.7
Core goods ¹	6.1	-11.6	-11.0	-.8	-.5	-.5
Finished goods	2.3	-1.0	-.7	.2	-.0	-.4
Cap. goods ex. comp. & semi.	4.4	-.2	-.4	.5	-.4	-.4
Automotive products	1.2	-.6	.2	.2	.2	-.2
Consumer goods	1.4	-1.6	-1.5	.0	.1	-.5
Material-intensive goods	13.8	-29.4	-29.8	-3.1	-1.5	-.9
Foods, feeds, beverages	11.1	-16.9	-10.1	.1	-3.2	-1.0
Industrial supplies ex. fuels	14.5	-32.6	-35.0	-4.1	-.9	-.9
Computers	-8.2	-7.2	-8.3	-.7	-.9	-.2
Semiconductors	-6.5	-2.4	-11.0	-2.7	-.8	.1
Natural gas	-25.1	-69.2	-57.6	-5.7	-13.0	-15.8
Merchandise exports	3.8	-21.5	-9.0	.6	-.3	-.6
Core goods ²	5.2	-24.8	-10.7	.8	-.4	-.7
Finished goods	2.8	1.6	2.2	.6	.1	-.0
Cap. goods ex. comp. & semi.	3.3	1.7	4.3	.9	.3	.1
Automotive products	1.2	1.1	.6	.4	-.3	.2
Consumer goods	3.0	1.5	-1.6	.2	-.2	-.5
Material-intensive goods	7.7	-46.1	-24.5	1.0	-.9	-1.5
Agricultural products	5.8	-53.1	-11.5	6.1	-1.6	-3.5
Industrial supplies ex. ag.	8.5	-44.5	-28.8	-.7	-.6	-.9
Computers	-8.8	-8.6	-9.9	-1.1	-.5	-1.0
Semiconductors	-6.5	-13.8	-3.5	-1.6	1.9	-.6
	----- NIPA prices -----					
Chain price index						
Imports of goods & services	9.2	-37.3	n.a.	...	...	...
Non-oil merchandise	2.9	-9.9	n.a.	...	...	...
Core goods ¹	4.6	-8.5	n.a.	...	...	...
Exports of goods & services	6.7	-23.0	n.a.	...	...	...
Total merchandise	5.6	-26.0	n.a.	...	...	...
Core goods ²	6.6	-27.4	n.a.	...	...	...

1. Excludes computers, semiconductors, and natural gas.

2. Excludes computers and semiconductors.

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

BLS Bureau of Labor Statistics.

NIPA National income and product accounts.

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis; Bureau of Labor Statistics.

U.S. Current Account

The U.S. current account deficit was \$531 billion at an annual rate in the fourth quarter of 2008, \$194 billion narrower than in the third quarter (revised) and the smallest deficit since the fourth quarter of 2003. The narrowing resulted primarily from a decrease in the deficit on goods, as the recession and falling commodity prices have pushed down imports more than exports. In addition, the surplus on investment income increased, as profits earned on foreign direct investment in the United States declined by more than those on U.S. direct investment abroad, and the general decline in interest rates reduced the payments on the U.S. net portfolio liability position.

U.S. Current Account				
(Billions of dollars, seasonally adjusted annual rate)				
Period	Goods and services, net	Investment income, net	Other income and transfers, net	Current account balance
<i>Annual</i>				
2007	-700.3	88.8	-119.7	-731.2
2008	-681.1	134.8	-127.0	-673.3
<i>Quarterly</i>				
2008:Q1	-713.8	140.3	-134.1	-707.6
Q2	-725.7	120.0	-123.3	-728.9
Q3	-723.5	125.5	-127.2	-725.2
Q4	-561.5	153.5	-123.2	-531.3
<i>Change</i>				
Q1-Q4	-18.6	-12.4	-7.7	-38.7
Q2-Q1	-11.9	-20.3	10.9	-21.3
Q3-Q2	2.1	5.5	-3.9	3.8
Q4-Q3	162.0	28.0	3.9	193.9

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

U.S. International Financial Transactions

Since the March Greenbook, we have received balance of payments data for the fourth quarter of 2008, Treasury data on U.S. international financial transactions for February,

. These data suggest that in the first quarter of 2009 foreign banks reduced their reliance on official sources for dollar funding, replacing it with private sources. This is in sharp contrast to the heavy borrowing from official sources recorded in the second half of 2008. These data also indicate that there was substantial demand for Treasury securities in February and March, but demand for other domestic and foreign securities was extremely weak.

Foreign official inflows picked up in February after several months of weakness (see line 1 of the table “Summary of U.S. International Transactions”). Strong Treasury acquisitions, , were somewhat offset by sales of agency securities by G-10 and OPEC countries (see the bottom panels of the figure “Foreign Official Financial Inflows through February 2009”). Unlike earlier months in which sales of agency securities were likely linked to flight-to-quality concerns, more recent sales are likely in response to a narrowing in the spread between GSE debt and Treasury bonds in January and February.

Foreign banks appear to have been successful in their efforts to replace official sources of dollar funding with private sources. Drawings on central bank liquidity swap facilities contracted moderately in February after a sizable contraction in January. This decrease generated significant official inflows as Federal Reserve deposit claims at partner central banks (included in line 2) decreased. European-owned banks likely replaced these dollars with borrowing from their U.S. subsidiaries, consistent with the fairly large net banking outflows shown in line 3.

Foreign private investors sought the safety of Treasury securities (line 4a) in February, and showed limited interest in other types of U.S. securities (see the top panels of the figure “Private Securities Flows through February 2009”). Sales of agency securities by private foreigners continued through February but at a slower pace (line 4b). Small net sales of U.S. corporate bonds and stocks (line 4c and 4d) continued despite strong issuance of U.S. corporate debt in European markets.

After a brief upward tick in January related to a very strong month for foreign bond issuance, demand for foreign securities by U.S. residents fell back to near zero in February (line 5 and the bottom panels of the figure “Private Securities Flows through February 2009”).

Turning to the fourth-quarter balance of payments data, U.S. direct investment outflows (line 6) were healthy, as U.S. parents injected a sizable amount of new equity capital into their European finance affiliates. Total foreign direct investment flows into the United States (line 7) were also strong; however, these flows include \$52 billion for the acquisition of Anheuser-Busch by the Belgian firm InBev. Excluding this unusually large acquisition, equity flows were weak and there were intercompany debt outflows. There were additional outflows in reinvested earnings, as losses by U.S. affiliates reduced their stocks of cumulated retained earnings.

There was an unusually large net outflow associated with U.S. nonbanking concerns (included in line 10) in the fourth quarter, as SIVs and other nonbank financial intermediaries increased their claims on their foreign affiliates. This was the first recorded outflow through these institutions since the second quarter of 2007.

Estimated foreign acquisitions of U.S. currency (a financial inflow) jumped to a record \$30 billion in the fourth quarter of 2008 (line 9). Demand for U.S. currency was widespread, but especially strong in countries that have traditionally turned to dollars in times of financial or political instability.

Summary of U.S. International Transactions
(Billions of dollars; not seasonally adjusted except as noted)

	2007	2008	2008				2009	
			Q1	Q2	Q3	Q4	Jan.	Feb.
Official financial flows	381.8	-138.3	174.2	96.2	-117.4	-291.3	186.5	100.6
1. Change in foreign official assets in the U.S. (increase, +)	406.0	396.3	169.4	140.5	108.9	-22.6	20.6	34.4
a. G-10 countries + ECB	36.8	-8.4	-1.6	0.3	8.9	-16.0	-10.9	-2.7
b. OPEC	33.0	45.5	16.5	16.3	16.1	-3.4	-2.2	-8.1
c. All other countries	336.2	346.3	154.5	124.0	83.9	-16.1	33.8	45.2
2. Change in U.S. official assets (decrease, +) ¹	-24.1	-534.6	4.7	-44.3	-226.4	-268.7	165.9	66.1
Private financial flows	392.5	684.9	13.1	24.4	264.8	368.1	...	...
Banks								
3. Change in net foreign positions of banking offices in the U.S. ²	-81.7	-14.5	-174.9	-89.0	-53.6	303.0	-68.0	-154.7
Securities³								
4. Foreign net purchases (+) of U.S. securities	746.4	187.2	45.3	81.0	1.0	60.0	-76.1	19.8
a. Treasury securities	152.5	305.9	62.9	65.1	87.8	90.0	-43.3	38.1
b. Agency bonds	18.5	-137.3	-19.8	-35.6	-56.8	-25.1	-18.0	-12.2
c. Corporate and municipal bonds	384.3	7.6	-10.6	52.1	-32.6	-1.3	-14.7	-0.3
d. Corporate stocks ⁴	191.1	11.0	12.8	-0.7	2.6	-3.6	-0.1	-5.8
5. U.S. net acquisitions (-) of foreign securities	-292.1	90.1	-35.9	-34.0	84.1	76.0	-29.1	-0.9
a. Bonds	-172.9	86.4	-8.5	-12.1	70.0	37.0	-28.8	-1.4
b. Stock purchases	-107.9	7.3	-26.6	-19.9	14.1	39.7	1.6	0.6
c. Stock swaps ⁴	-11.3	-3.6	-0.8	-2.0	0.0	-0.8	-1.9	0.0
Other flows⁵								
6. U.S. direct investment (-) abroad	-333.3	-317.8	-93.3	-86.8	-52.4	-85.3	...	...
7. Foreign direct investment in the U.S.	237.5	325.3	81.5	105.8	57.3	80.6	...	...
8. Net derivatives (inflow, +)	6.5	-28.9	-8.0	-2.4	-4.1	-14.5	...	...
9. Foreign acquisitions of U.S. currency	-10.7	35.0	-0.9	0.2	5.8	29.9	...	...
10. Other (inflow, +) ⁶	119.9	408.6	199.2	49.6	226.6	-81.5	...	...
U.S. current account balance⁵	-731.2	-673.3	-176.9	-182.2	-181.3	-132.8	...	...
Capital account balance⁷	-1.8	-2.6	-0.6	-0.6	-0.7	-0.6	...	...
Statistical discrepancy⁵	-41.3	129.3	-9.7	62.3	34.7	56.6	...	...

Note: Data in lines 1 through 5 differ in timing and coverage from the balance of payments data published by the Department of Commerce. Details may not sum to totals because of rounding.

1. Includes changes in U.S. official reserve assets and in outstanding reciprocal currency swaps with certain foreign central banks.

2. Changes in dollar-denominated positions of all depository institutions and bank holding companies plus certain transactions between broker-dealers and unaffiliated foreigners (particularly borrowing and lending under repurchase agreements). Includes changes in custody liabilities other than U.S. Treasury bills.

3. Includes commissions on securities transactions and therefore does not match exactly the data on U.S. international transactions published by the Department of Commerce.

4. Includes (4d) or represents (5c) stocks acquired through nonmarket means such as mergers and reincorporations.

5. Quarterly data; seasonally adjusted.

6. Transactions by nonbanking concerns and other banking and official transactions not shown elsewhere plus amounts resulting from adjustments made by the Department of Commerce and revisions (in lines 1 through 5 and 8) since publication of the quarterly data in the Survey of Current Business.

7. Seasonally adjusted; consists of transactions in nonproduced nonfinancial assets and capital transfers.

G-10 Group of Ten (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, United Kingdom, United States).

ECB European Central Bank.

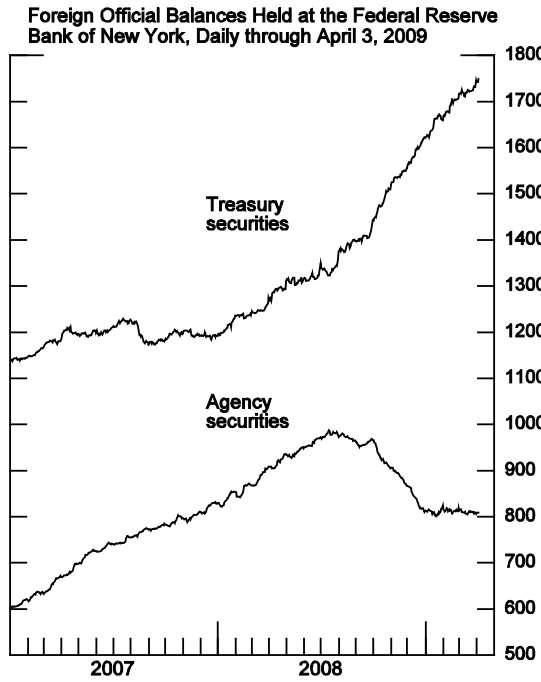
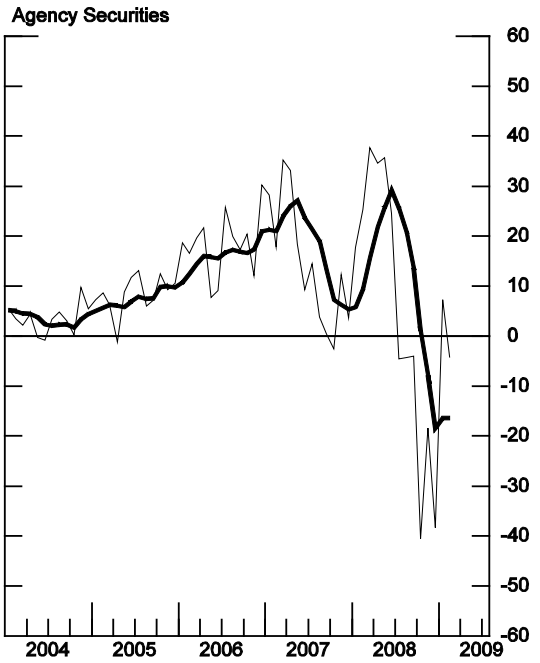
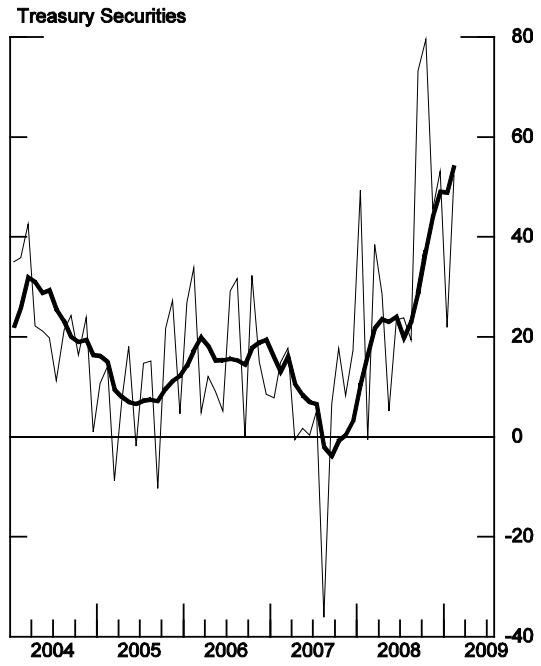
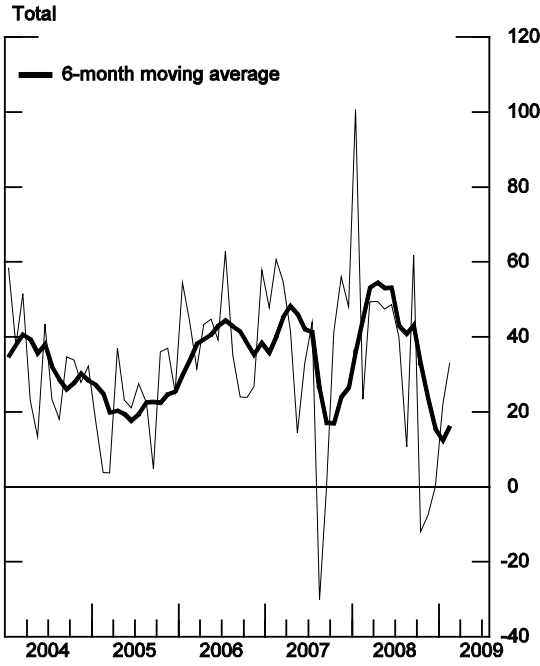
OPEC Organization of the Petroleum Exporting Countries.

... Not applicable.

Source: U.S. Department of Commerce, Bureau of Economic Analysis; U.S. Treasury International Capital reports with staff adjustments.

Foreign Official Financial Inflows (+) through February 2009

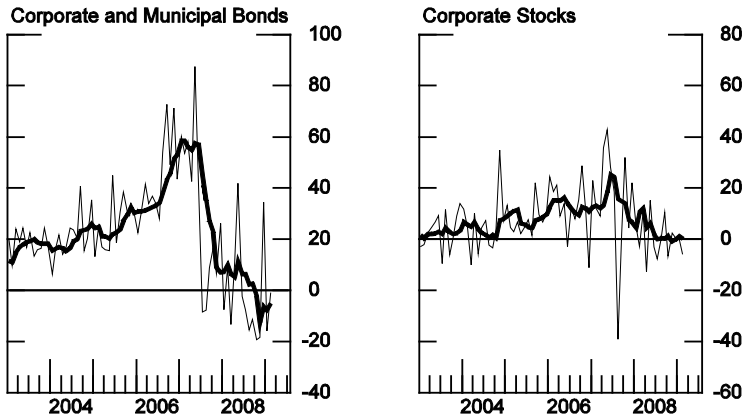
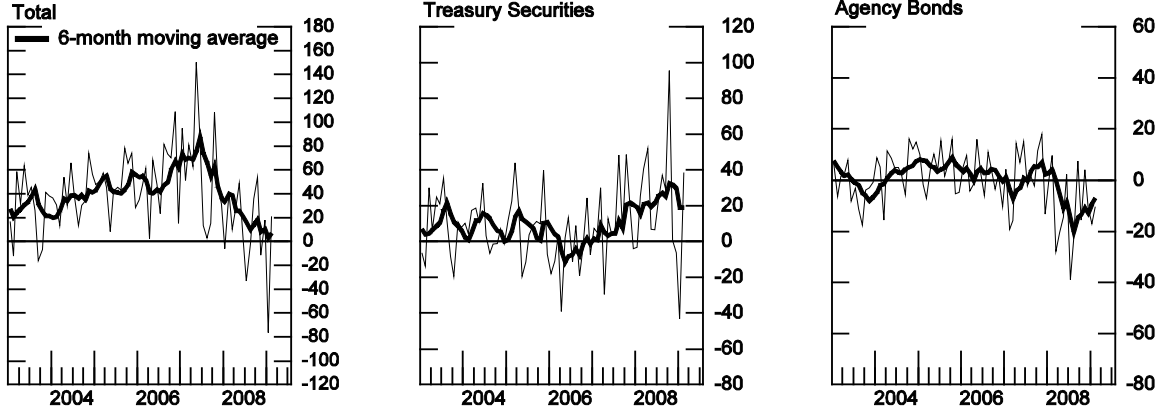
(Billions of dollars; monthly rate, not seasonally adjusted)



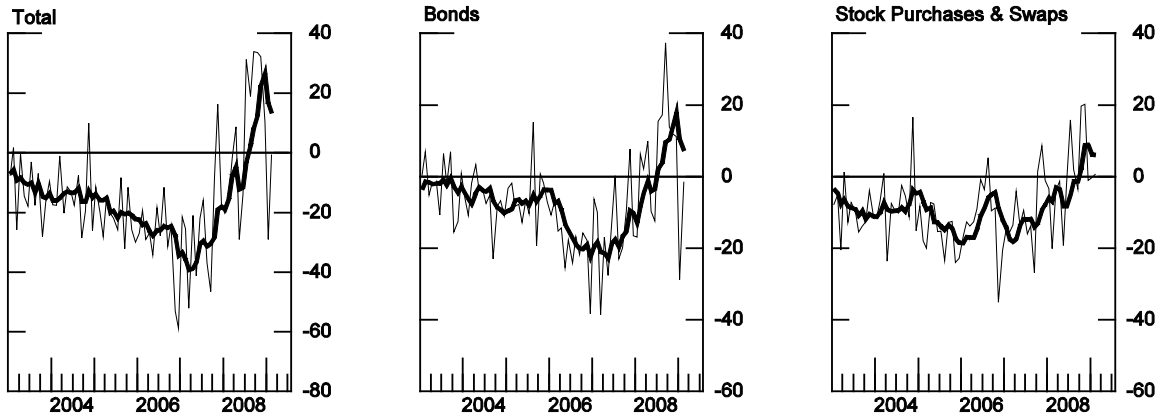
Source: U.S. Treasury International Capital reports with staff adjustments and the Federal Reserve Bank of New York.

Private Securities Flows through February 2009
 (Billions of dollars; monthly rate, not seasonally adjusted)

Foreign Net Purchases (+) of U.S. Securities



U.S. Net Acquisitions (-) of Foreign Securities



Source: For all figures, U.S. Treasury International Capital reports with staff adjustments.

Foreign Financial Markets

Stock markets around the world have risen substantially since the time of the last Greenbook amidst a general improvement in investor sentiment, and boosted by some reports of better-than-expected performance from financial firms in the United States and Europe. The Dow Jones Euro Stoxx and FTSE 100 indexes soared 15½ and 7½ percent, respectively, alongside the TOPIX index, which increased 15 percent. In the euro area and the United Kingdom banking sector indexes gained over 45 percent. In the United Kingdom, the Royal Bank of Scotland and Standard Chartered Bank reported a strong start to the year. Additionally, Barclays announced that it had passed the stress test of the United Kingdom's financial regulator, the Financial Services Authority, and HSBC raised \$19 billion in the largest-ever U.K. rights issue. In Japan, financial shares rose, but less sharply, amid emerging concerns about the profitability and capital quality of some of its major banks.

Pressures in interbank funding markets seem to have eased over the period. Spreads between euro Libor and OIS rates narrowed by about 32 basis points, and sterling Libor to OIS spreads decreased similarly.

In line with the rally in equity prices, bond yields have risen, on net, in most major foreign economies. These moves in yields occurred despite the many central-bank actions over the period to loosen monetary policy, reportedly on reduced risk aversion, signs of moderation in the decline of economic activity, and excess supply concerns. Since the time of the March Greenbook, both the Swiss National Bank and the Bank of England (BOE) have begun to implement previously announced unconventional monetary policy measures. The BOE has so far purchased close to £30 billion in assets as part of its Asset Purchase Program. During its most recent Monetary Policy Council meeting, the BOE voted to continue with the £75 billion program. The Bank of Japan expanded its regular purchases of Japanese government bonds to a larger-than-expected 1.8 trillion yen per month, and it announced that it will expand its eligible collateral to include municipal debt. In contrast, the European Central Bank (ECB) surprised markets on April 2 by reducing its main refinancing rate by a less-than-expected 25 basis points, to 1.25 percent, and deferred a decision regarding any new policy tools to its policy meeting in May.

The dollar has depreciated against most other major currencies in an environment of seemingly increased investor risk appetite. The major currencies index declined 2 percent, with the dollar depreciating more than 4 percent against sterling and

1¼ percent against the euro. The dollar fell sharply on the days after the March FOMC announcement and the smaller-than-expected rate cut by the ECB in early April but subsequently retraced some of these moves. The dollar was flat against the yen over the period.

Consistent with an improvement in investor sentiment towards emerging market economies, the dollar fell around 4 percent against the currencies of our other important trading partners. Since the previous Greenbook, the Mexican peso has notably risen 12¾ percent against the dollar. The Mexican peso gained after Mexico announced it would activate its \$30 billion swap line with the Federal Reserve; the Banco de Mexico sold a-less-than-offered \$3.2 billion in term funds in its first auction. The announcement that Mexico would be the first country to sign up for the IMF's recently established Flexible Credit Line also boosted the peso. Poland and Colombia subsequently applied for the new facility. Despite being broadly lower against emerging market currencies, the dollar was little changed against the Chinese renminbi. A number of countries, including Russia, Hong Kong, and Taiwan are believed to have intervened in foreign exchange markets to restrain upward pressures on their currencies.

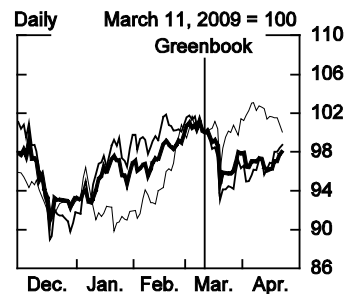
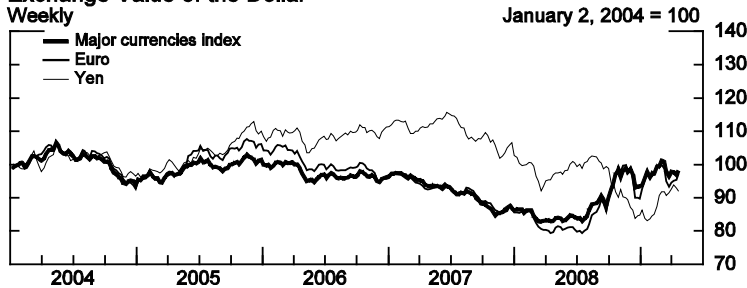
Numerous emerging market countries have further eased monetary policy, often by sharply lowering their policy rates. IMF loan packages for Romania and Serbia, as well as a potential package for Turkey, have led to a substantial decrease in the credit default swap premiums for these countries.

Exchange Value of the Dollar and Stock Market Indexes

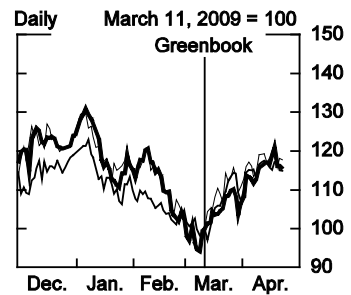
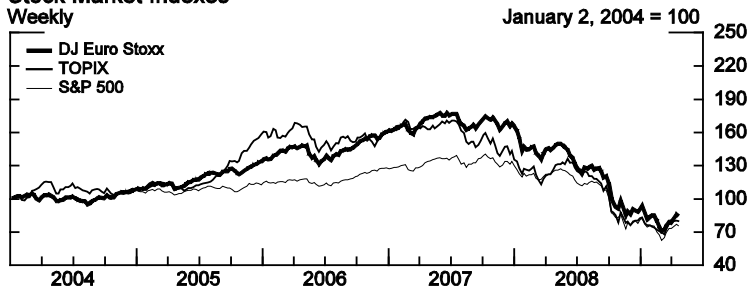
	Latest	Percent change since March Greenbook
<i>Exchange rates*</i>		
Euro (\$/euro)	1.2936	-1.3
Yen (¥/\$)	97.8	0.0
Sterling (\$/£)	1.4421	-4.4
Canadian dollar (C\$/\\$)	1.2468	-2.7
<i>Nominal dollar indexes*</i>		
Broad index	110.5	-2.9
Major currencies index	83.5	-1.9
OITP index	138.9	-4.0
<i>Stock market indexes</i>		
DJ Euro Stoxx	207.6	15.5
TOPIX	830.0	14.9
FTSE 100	3971.2	7.5
S&P 500	847.3	17.7

* Positive percent change denotes appreciation of U.S. dollar.

Exchange Value of the Dollar



Stock Market Indexes

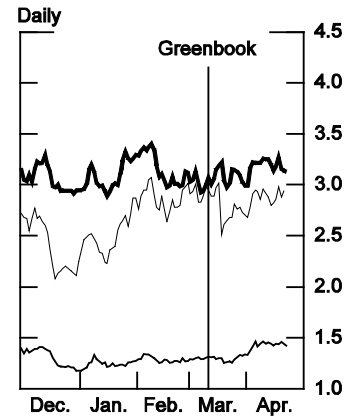
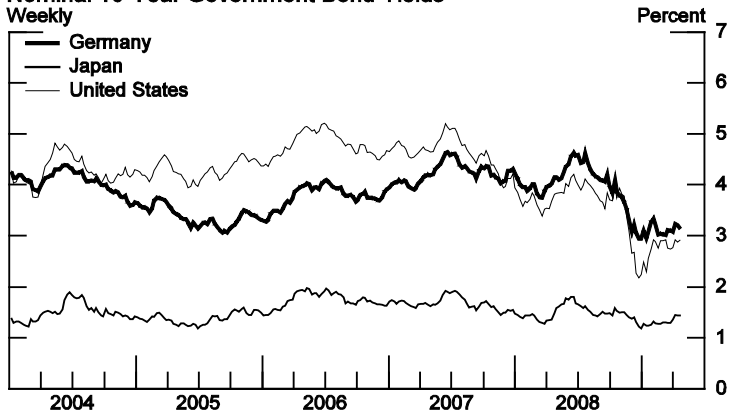


Industrial Countries: Nominal and Real Interest Rates

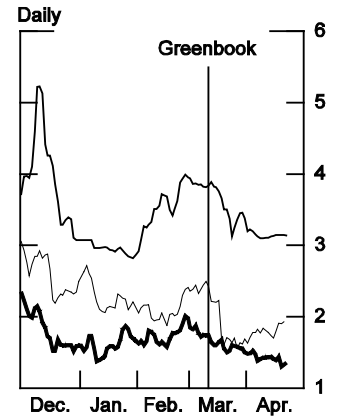
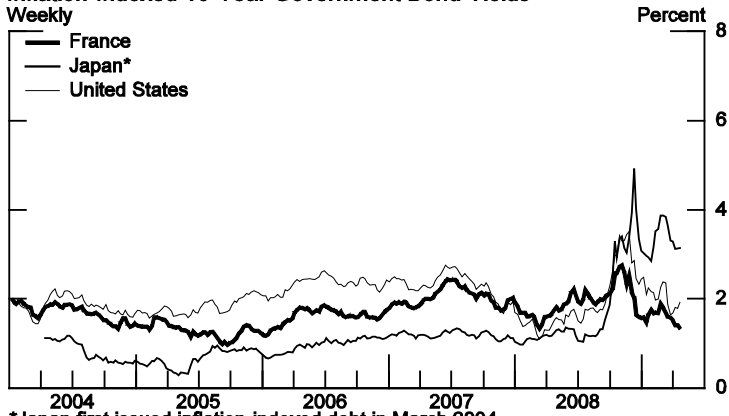
	3-month Libor		10-year nominal		10-year indexed		Percent
	Latest	Change since Mar. Greenbook	Latest	Change since Mar. Greenbook	Latest	Change since Mar. Greenbook	
Germany	1.40	-0.26	3.13	0.06	1.30	-0.26	
Japan	0.56	-0.07	1.42	0.11	3.14	-0.69	
United Kingdom	1.50	-0.39	3.41	0.32	0.90	-0.47	
Canada	0.90	-0.17	2.94	-0.05	...	...
United States	1.10	-0.23	2.94	-0.05	1.94	-0.56	

... Not applicable.
 Libor London interbank offered rate.

Nominal 10-Year Government Bond Yields
 Weekly



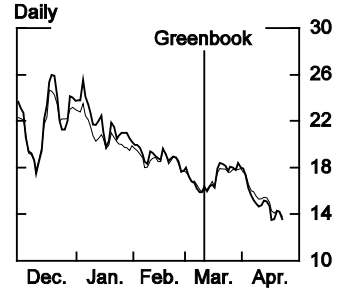
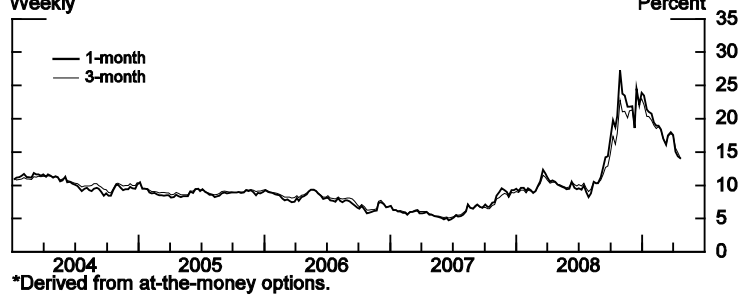
Inflation-Indexed 10-Year Government Bond Yields
 Weekly



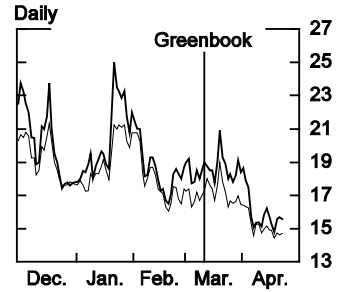
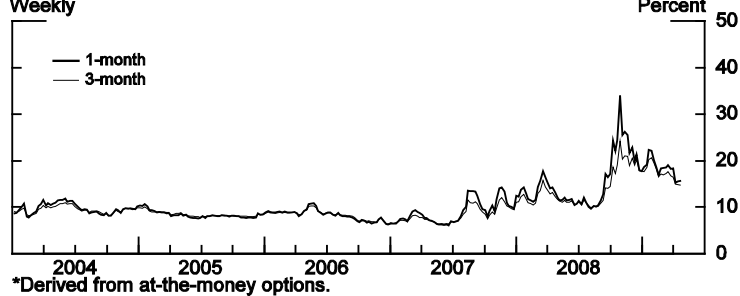
*Japan first issued inflation-indexed debt in March 2004.

Measures of Market Volatility

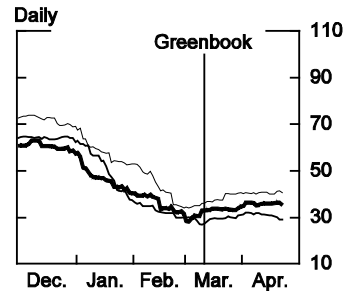
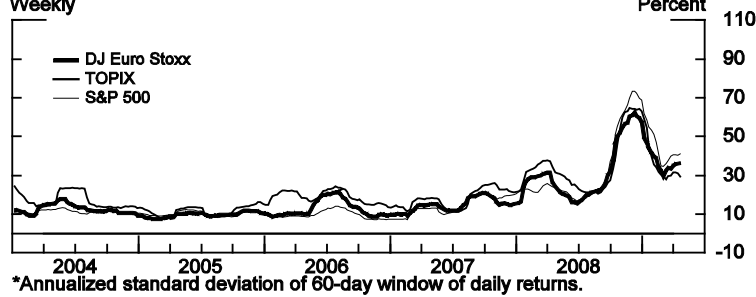
Dollar-Euro Options-Implied Volatility*



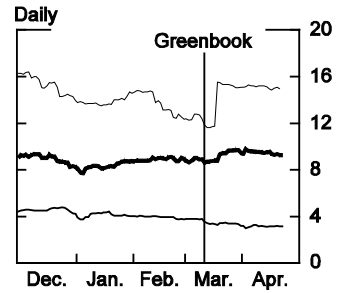
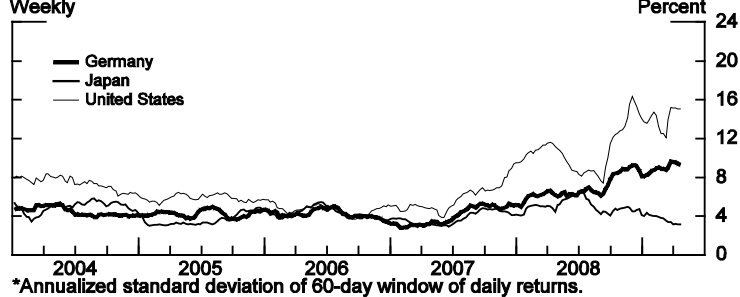
Yen-Dollar Options-Implied Volatility*



Realized Stock Market Volatility*



Realized 10-Year Bond Volatility*

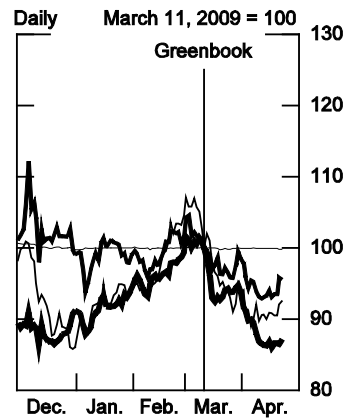
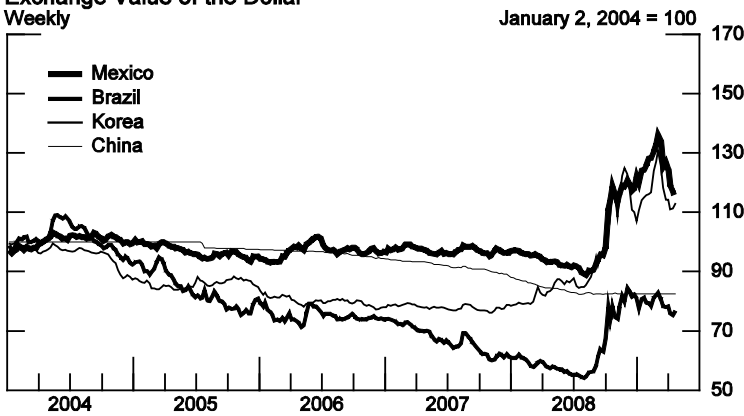


Emerging Markets: Exchange Rates and Stock Market Indexes

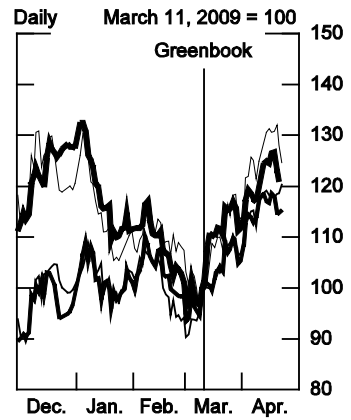
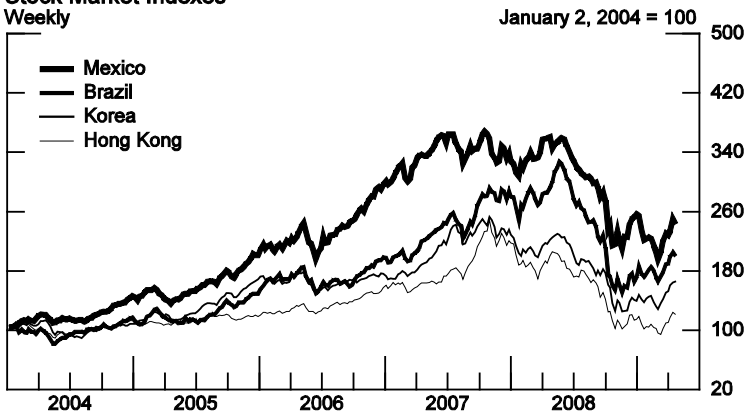
	<u>Exchange value of the dollar</u>		<u>Stock market index</u>	
	Latest	Percent change since Mar. Greenbook*	Latest	Percent change since Mar. Greenbook
Mexico	13.2200	-12.8	21217	20.9
Brazil	2.2343	-4.3	44760	15.4
Venezuela	2.14	0.0	44364	18.3
China	6.8301	-0.1	2461	15.1
Hong Kong	7.7485	-0.1	14878	24.7
Korea	1355.5	-7.5	1356	20.3
Taiwan	33.85	-1.8	5886	23.7
Thailand	35.55	-1.0	461	11.2

* Positive percent change denotes appreciation of U.S. dollar.

Exchange Value of the Dollar
Weekly



Stock Market Indexes
Weekly

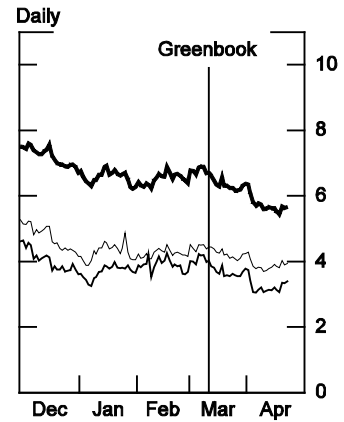
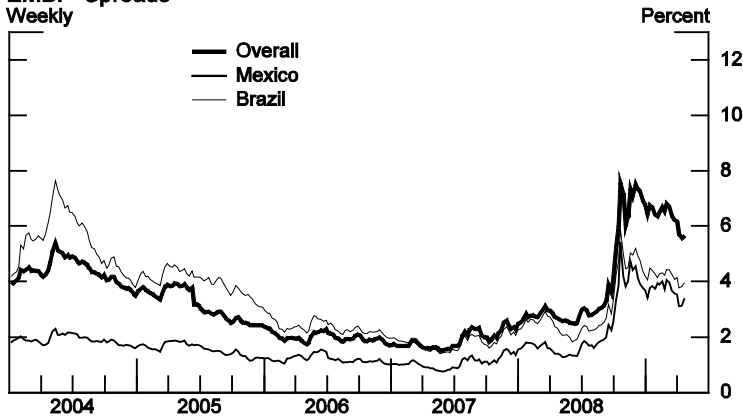


Emerging Markets: Short-Term Interest Rates and Dollar-Denominated Bond Spreads

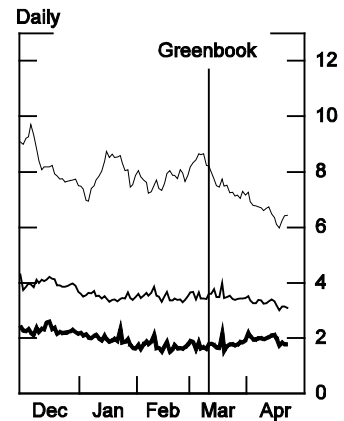
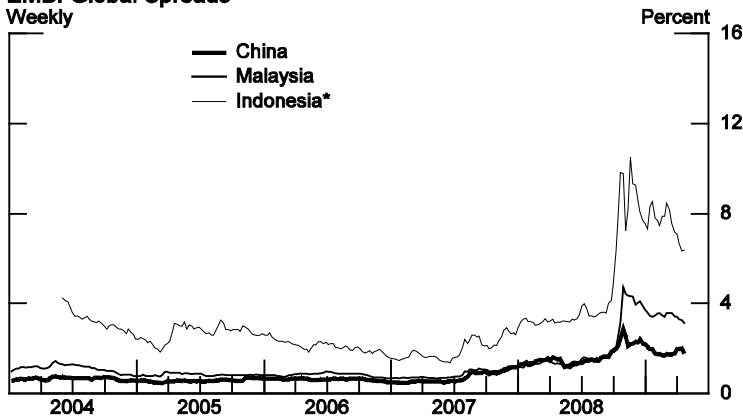
	Short-term interest rates*		Dollar-denominated bond spreads**	
	Latest	Change since Mar. Greenbook	Latest	Change since Mar. Greenbook
Mexico	5.89	-1.33	3.39	-0.58
Brazil	11.08	-0.32	3.94	-0.43
Argentina	13.13	0.19	17.67	0.10
China	...	...	1.79	0.17
Korea	2.10	-1.15	...	...
Taiwan	1.08	-0.06	...	...
Singapore	0.31	0.00	...	...
Hong Kong	0.27	-0.08	...	...

*One-month interest rate except 1-week rate for Korea. (No reliable short-term interest rate exists for China.)
 **EMBI+ Spreads or EMBI Global Spreads over similar-maturity U.S. Treasury securities.
 ... Not applicable. Korea, Taiwan, and Hong Kong have no outstanding dollar-denominated sovereign bonds.

EMBI+ Spreads
Weekly



EMBI Global Spreads
Weekly



*Begins May 2004.

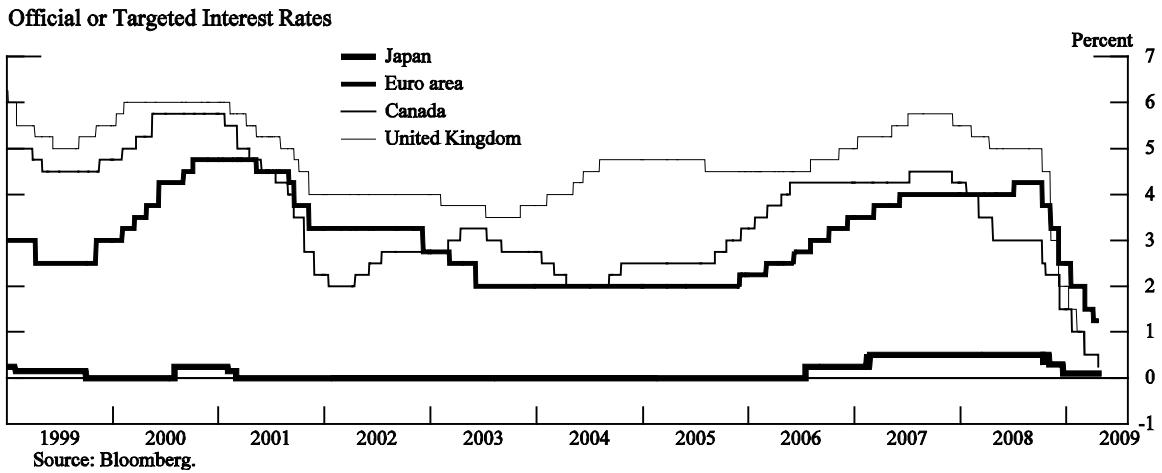
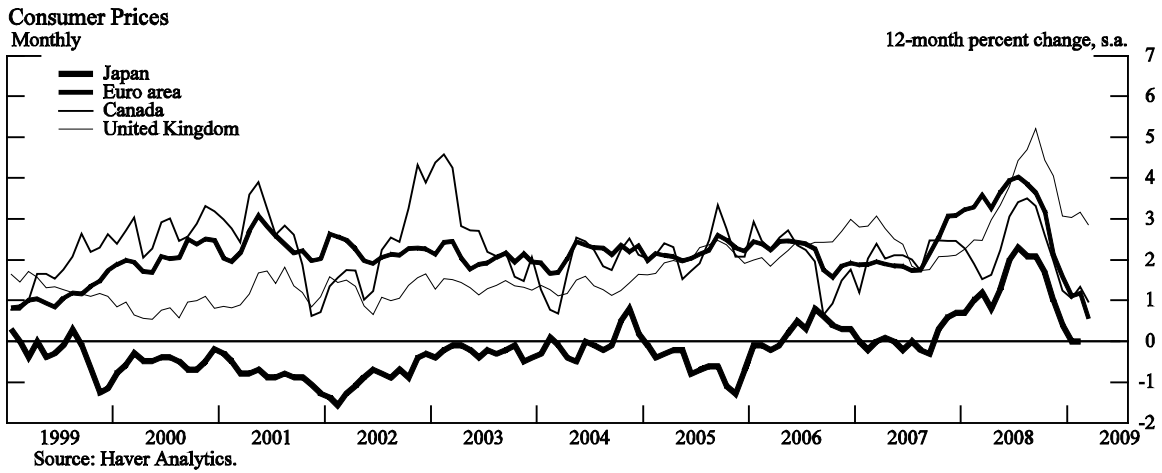
Developments in Advanced Foreign Economies

Economic conditions continued to worsen in the advanced foreign economies in the first quarter. Industrial production through February continued its steep decline, employment dropped sharply, and retail sales were weak or falling. However, late first-quarter indicators, particularly the purchasing managers indexes (PMIs) for all of the major economies, have begun to move upward, suggesting some moderation in the pace of output declines going forward.

Consumer price inflation performance across the advanced foreign economies has been mixed since the last Greenbook: Headline inflation has continued to fall in the euro area and held at around zero in Japan, but it has ticked up in the United Kingdom and Canada, in part reflecting the noticeable weakening in the currencies of these countries late last year.

Central banks in the advanced foreign economies continued to ease monetary conditions in the intermeeting period. The Bank of Canada (BOC) and European Central Bank (ECB) both cut policy rates $\frac{1}{4}$ percentage point, and the Bank of England (BOE) and Bank of Japan (BOJ) further expanded asset purchases as part of their quantitative easing programs.

Advanced Foreign Economies



In Japan, indicators for first-quarter activity growth are bleak and suggest a second consecutive double-digit drop. Industrial production plunged more than 9 percent in February after three months of sizable falls. The index is now at its level of the early 1980s. Real exports have fallen 40 percent over the past six months, although the monthly declines have slowed with exports flat in March and down 3.5 percent in February. Real imports rose slightly in March but are down 20 percent over the last three months. In addition, the Tankan business sentiment survey plunged to a record low in the first quarter. In a solitary bright note, private machinery orders excluding volatile elements rose 1.4 percent in February, although total orders fell more than 7 percent.

The deterioration in the employment situation surged in the first quarter, with the job openings-to-applicants ratio (the number of officially posted job openings relative to the number of officially registered job seekers) dropping a record amount to a level of 0.59 in February. Real wages fell 2.7 percent over the 12 months ending in February. The unemployment rate moved up to 4.4 percent.

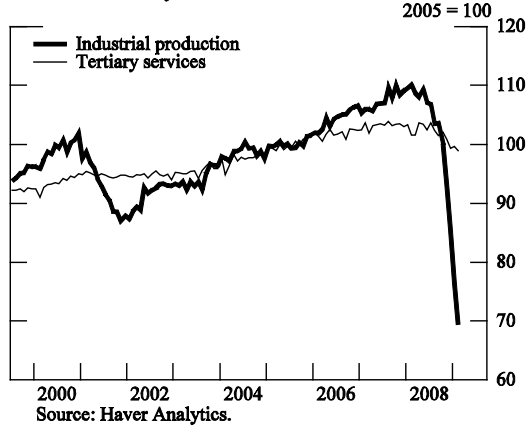
Consistent with the weak labor market, indicators for the household sector are poor. After a brief respite in November, household expenditures resumed their downward trajectory in December and January. The monthly index of real consumption fell at an annual rate of more than 6 percent over the first two months of the first quarter. Housing starts fell 9.5 percent in February and are down more than 20 percent over the past six months. New car registrations declined 13.5 percent in the first quarter.

Japanese consumer prices were unchanged over the 12 months ending in February, leaving this 12-month measure of inflation sharply below the peak of 2.3 percent reached last July. Excluding food and energy prices, 12-month consumer price inflation was -0.1 percent in February.

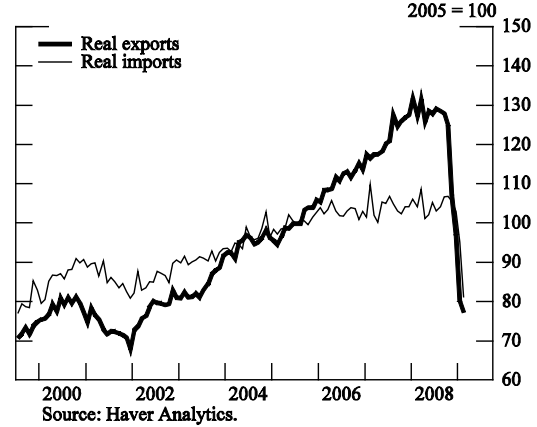
The Bank of Japan left its target for the call rate unchanged at 0.1 percent over the intermeeting period and expanded purchases of commercial paper, corporate bonds, equities, and government bonds. On the fiscal front, political infighting appears to be slowing the implementation of the fiscal stimulus packages announced earlier this year. Nonetheless, Prime Minister Aso announced a new fiscal package on April 10 of about ¥15 trillion, about 3 percent of GDP. The staff estimates that this package contains about ¥5 trillion in new spending, bringing total effective stimulus to nearly 2 percent of GDP.

Japan

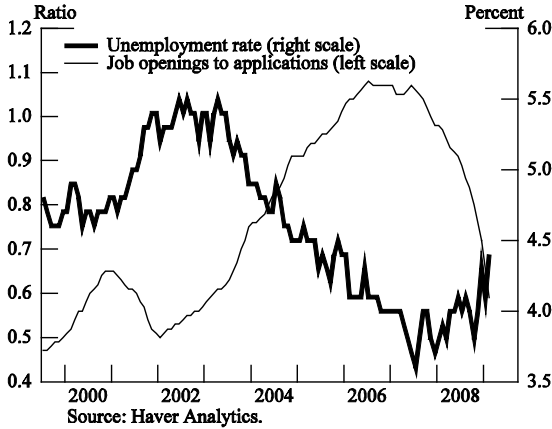
Economic Activity



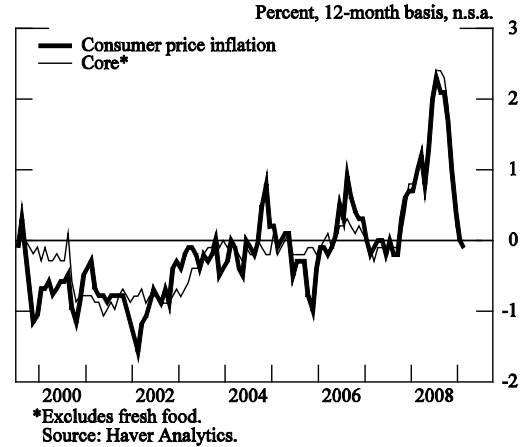
Real Trade



Labor Market



Consumer Price Inflation



Economic Indicators

(Percent change from previous period except as noted; seasonally adjusted)

Indicator	2008		2009		2009		
	Q3	Q4	Q1	Dec.	Jan.	Feb.	Mar.
Housing starts	-1.6	-8.3	n.a.	1.5	-4.4	-9.5	n.a.
Machinery orders ¹	-10.4	-16.7	n.a.	-1.7	-3.2	1.4	n.a.
Household expenditures	-0.5	0.4	n.a.	-0.9	-0.8	0.3	n.a.
New car registrations	-3.6	-15.1	-13.5	-2.5	-2.0	-7.3	-2.4
Business sentiment ²	-14.0	-24.0	-46.0	...	...	...	...
Wholesale prices ³	7.3	2.6	-1.5	0.9	-0.7	-1.6	-2.2

1. Private sector excluding ships and electric power.
 2. Tankan survey, diffusion index. Level.
 3. Percent change from year earlier; not seasonally adjusted.
 n.a. Not available. ... Not applicable.
 Source: Haver Analytics.

Recent indicators in the **euro area** continue to point to significant weakness, although some tentative signs of moderation in the pace of contraction have emerged. Industrial production declined 2½ percent in January and again in February. The average level of retail sales for January and February was slightly below that of the fourth quarter. After a large decline in January, exports rebounded somewhat in February, driven by strong increases to the United States, Latin America, and ASEAN countries. Imports continued to decline in February. The euro-area unemployment rate increased to 8.5 percent in February. Business and consumer sentiment indicators fell further through March, reaching record lows, but expectations six months forward improved. PMIs, despite remaining well into contractionary territory, stabilized in March.

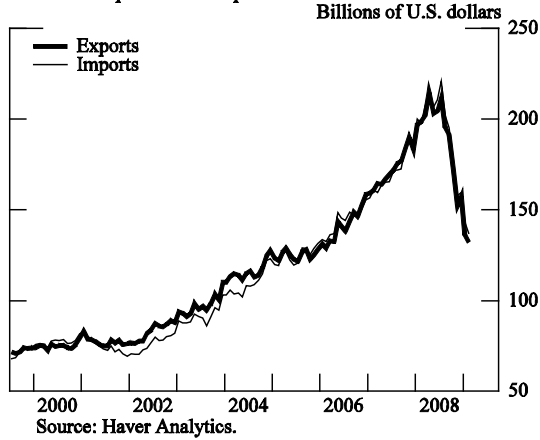
Twelve-month headline inflation in March was 0.6 percent, down from 1.2 percent in February. Excluding energy and unprocessed food, inflation honed down to 1.5 percent. Twelve-month energy price inflation in March was negative 8.1 percent, down from the peak of 17 percent in July.

The ECB reduced its main policy rate 25 basis points to 1.25 percent at its April meeting, a smaller cut than had been expected by markets. ECB President Trichet signaled that, given the deterioration in economic activity in the euro area, further monetary policy easing is likely. He also suggested that unconventional policy measures would be announced at the May meeting.

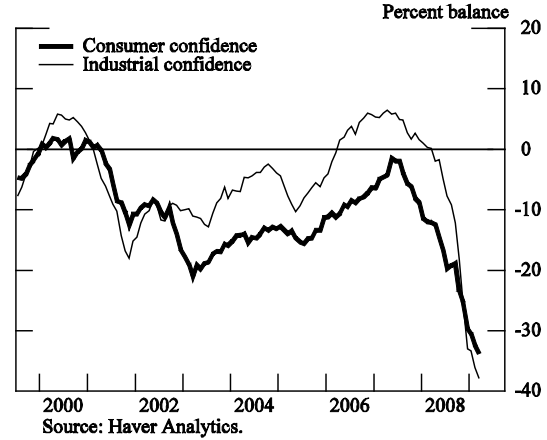
Since the last Greenbook, several countries adopted further measures to support their banking sectors. On March 29, the Spanish government stated that it would inject capital into Caja de Ahorros Castilla-La Mancha (Spain's twelfth-largest savings bank) and take over management. On April 7, the Irish government announced the creation of a National Asset Management Agency (NAMA), which is expected to take €80 to €90 billion in property loans off banks' balance sheets. On April 9, the German government unveiled plans for nationalizing troubled mortgage lender Hypo Real Estate Holding.

Euro Area

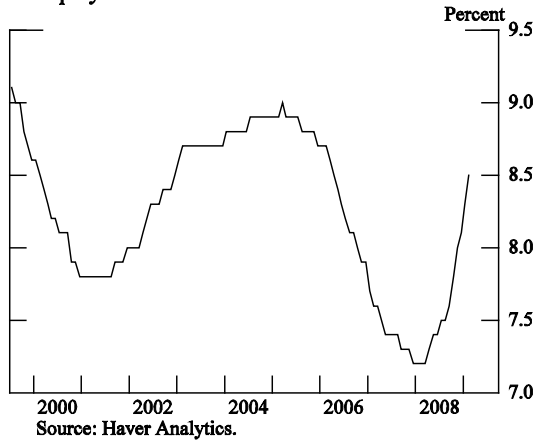
Nominal Exports and Imports



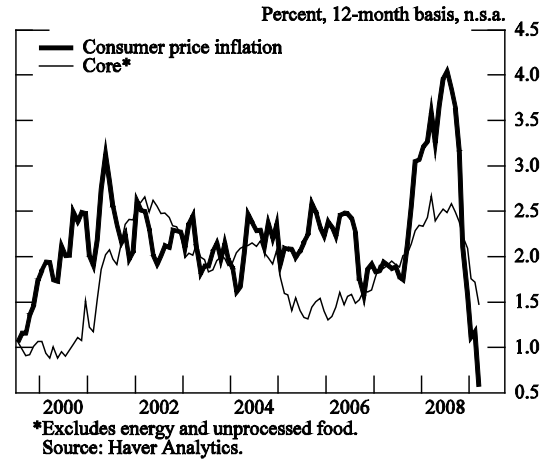
Economic Sentiment



Unemployment Rate



Consumer Price Inflation



Economic Indicators
(Percent change from previous period except as noted; seasonally adjusted)

Indicator	2008			2008		2009	
	Q2	Q3	Q4	Nov.	Dec.	Jan.	Feb.
Industrial production ¹	-2.0	-2.7	-6.2	-2.8	-2.9	-2.4	-2.3
Retail sales volume ²	-0.4	-0.5	-1.0	-0.2	-0.3	-0.2	-0.4
New car registrations	-1.9	-6.2	-8.2	-1.4	-2.6	n.a.	n.a.
Employment	0.1	-0.1	-0.3	...	...	...	...
Producer prices ³	7.1	8.6	3.7	3.3	1.6	n.a.	n.a.
M3 ³	10.8	9.9	9.1	8.9	8.6	6.9	6.8

1. Excludes construction.
 2. Excludes motor vehicles.
 3. Eurostat harmonized definition. Percent change from year earlier.
 n.a. Not available. ... Not applicable.
 M3 Manufacturers' shipments, inventories, and orders.
 Source: Haver Analytics.

In the **United Kingdom**, incoming data suggest that output continued to contract at a rapid pace in the first quarter. Industrial production completed a full year of monthly contractions in February, standing 14 percent below its year-earlier level. Large declines were recorded in the production of consumer durables — in particular motor vehicles and capital goods. The Labor Force Survey and the claims-based measures of the unemployment rate rose to 6.7 percent in January and 4.5 percent in March, respectively. The volume of retail sales fell 1.9 percent in February but remained above its fourth-quarter average.

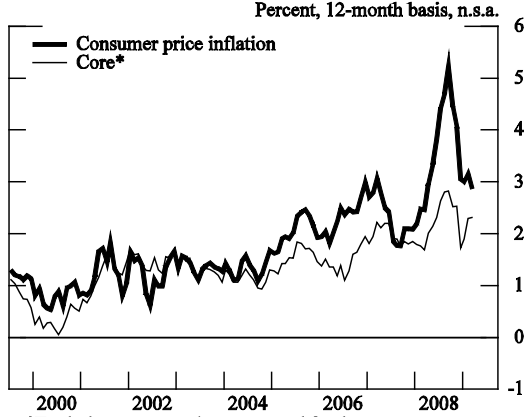
Forward-looking indicators are consistent with a moderation in the pace of economic contraction in the current quarter. PMI readings improved in March, although they remained solidly in contractionary territory. Consumer confidence rose for a second consecutive month, although it remained near a survey low, but business confidence slid further. Overall lending conditions appear to be easing. According to the BOE's Credit Conditions Survey, a majority of U.K. lenders interviewed in March expected an improvement in the availability of corporate and secured household credit in the second quarter.

The 12-month change in the CPI ticked up to 3.1 percent in February, triggering the writing of a public letter by the Governor of the BOE detailing why inflation had exceeded its 2 percent target by more than 1 full percentage point. Headline inflation then fell to 2.9 percent in March. Wage inflation eased in January, with the 12-month change in average weekly earnings including bonuses falling to 0.2 percent. However, manufacturing unit labor costs rose sharply over that period because of a steep fall in productivity. According to Nationwide and Halifax, two major U.K. lenders, house prices in March stood 20 percent below their fall 2007 peak.

The Monetary Policy Committee of the BOE left its main policy rate unchanged at 0.5 percent at its April meeting. The Committee also voted to continue its asset purchase program financed by the issuance of central-bank reserves. Between the launch of the program on March 5, and the Committee's meeting on April 9, the BOE had acquired more than £26 billion of assets, with gilts accounting for the vast majority (£25 billion) of purchases. The Committee expected that it would take another two months to complete its £75 billion program.

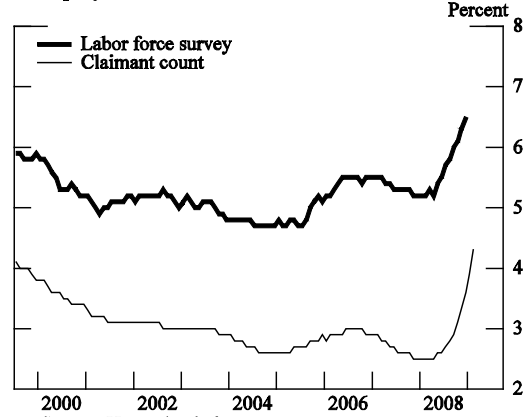
United Kingdom

Consumer Price Inflation



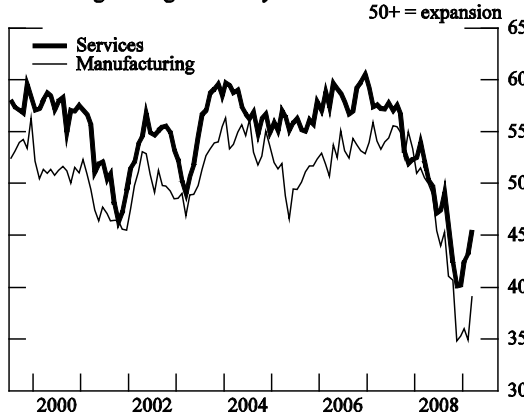
*Excludes energy and unprocessed food.
Source: Haver Analytics.

Unemployment Rates



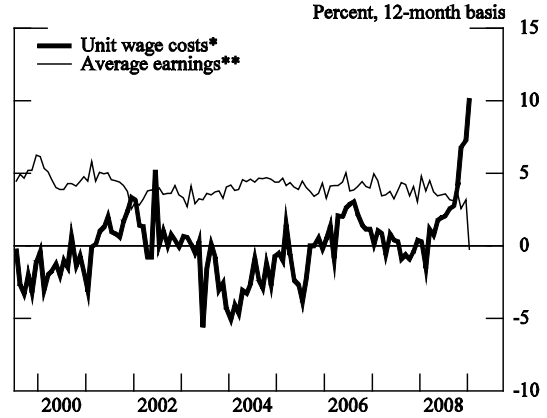
Source: Haver Analytics.

Purchasing Managers Survey



Source: Reuters.

Labor Costs



*Manufacturing industries.
**Whole economy, including bonuses.
Source: Haver Analytics.

Economic Indicators
(Percent change from previous period except as noted; seasonally adjusted)

Indicator	2008		2009	2008	2009		
	Q3	Q4	Q1	Dec.	Jan.	Feb.	Mar.
Real GDP	-2.8	-6.1	n.a.	...	...	...	...
Producer input prices ¹	28.1	9.0	0.8	3.3	1.7	1.0	-0.4
Industrial production	-1.7	-4.5	n.a.	-1.5	-2.7	-1.0	n.a.
Business confidence ²	-12.0	-38.3	-45.0	-42.0	-43.0	-44.0	-48.0
Consumer confidence ²	-24.2	-27.4	-31.5	-28.7	-35.1	-31.5	-28.0
Trade balance ³	-24.5	-12.5	n.a.	-3.7	-4.5	-4.7	n.a.

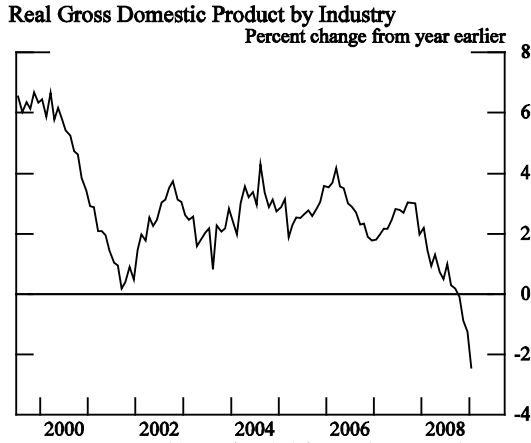
1. Percent change from year earlier.
2. Percent balance.
3. Level in billions of U.S. dollars.
n.a. Not available. ... Not applicable.
GDP Gross Domestic Product.
Source: Haver Analytics; Reuters.

Incoming data in **Canada** for the first quarter are largely negative. Monthly GDP fell 0.7 percent in January after a 1 percent decline in December. Employment was down significantly, and the unemployment rate rose to 8 percent in March. These numbers alone suggest a steep decline for first-quarter GDP. In addition, weak data from the housing market, with building permits down sharply in both January and February, are consistent with poor economic performance in the first quarter. Manufacturing shipments and new orders both fell almost 6½ percent in January, and wholesale sales were down 4 percent. However, there were several glimmers of hope that the pace of deterioration might not be increasing, including a January gain of 1.8 percent for retail trade and a February rebound in motor vehicle production. Real imports stabilized in February and exports showed surprising strength, although the average levels of both in January and February were sharply below their fourth-quarter averages.

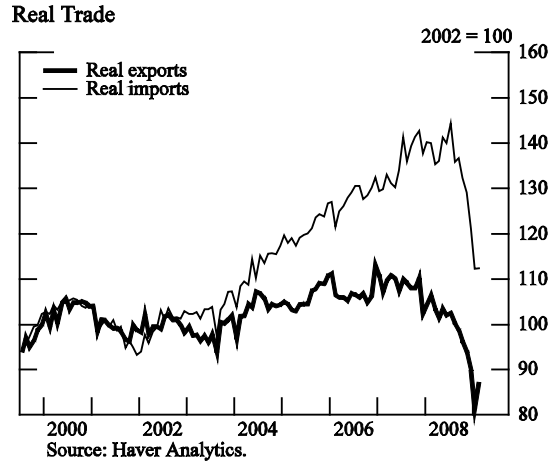
Twelve-month headline inflation in March was 1.0 percent, down from 1.3 percent in February. Core inflation was 1.3 percent in both months. Average hourly earnings continued to increase, rising at a twelve-month rate of 4.8 percent in January.

On April 21, the Bank of Canada reduced its policy rate from 0.5 percent to 0.25 percent and announced its intention to keep rates at this level until the end of the second quarter of 2010.

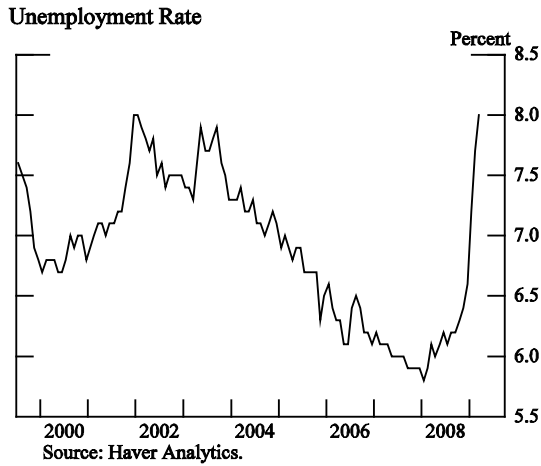
Canada



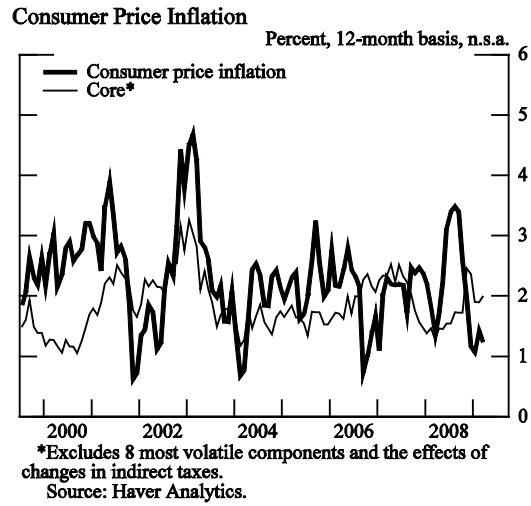
NOTE: Constructed from various Statistics Canada surveys and supplements to the quarterly income and expenditure-based estimates.
Source: Haver Analytics.



Source: Haver Analytics.



Source: Haver Analytics.



*Excludes 8 most volatile components and the effects of changes in indirect taxes.
Source: Haver Analytics.

Economic Indicators
(Percent change from previous period and seasonally adjusted, except as noted)

Indicator	2008		2009	2008		2009	
	Q3	Q4	Q1	Dec.	Jan.	Feb.	Mar.
Industrial production	0.1	-2.9	n.a.	-2.1	-1.8	n.a.	n.a.
New manufacturing orders	-1.1	-8.9	n.a.	-7.0	-8.4	6.5	n.a.
Retail sales	-0.0	-2.2	n.a.	-4.0	1.8	n.a.	n.a.
Employment	-0.0	0.1	-1.4	-0.1	-0.8	-0.5	-0.4
Wholesale sales	-0.7	-7.5	n.a.	-2.4	-4.0	-0.0	n.a.
Ivey PMI ¹	59.3	43.8	41.5	39.1	36.1	45.2	43.2

1. PMI Purchasing Managers' Index. Not seasonally adjusted. 50+ indicates expansion.
n.a. Not available. ... Not applicable.
Source: Haver Analytics; Bank for International Settlements.

Economic Situation in Other Countries

There were tentative signs in the incoming data for the first quarter that the pace of decline in economic activity may be starting to abate in emerging market economies (EMEs). In particular, conditions in China improved in the first quarter after fiscal stimulus measures and steps to spur credit growth. Consumer price inflation moved lower in most EMEs, with some countries such as China in deflation territory. There are firmer indications that financial conditions in most emerging markets have improved since the time of the March Greenbook. CDS premiums generally narrowed, stock market indexes surged, and the currencies of several countries retraced part of their earlier sharp declines. The improvement in financial conditions suggests that investor sentiment toward EMEs is on the mend.

In **China**, real GDP grew 6½ percent in the first quarter, as fiscal stimulus appears to be contributing to an acceleration of economic activity. After slowing at the end of last year, fixed-asset investment rebounded in the first quarter, up a robust 29 percent from a year earlier. The official purchasing managers' index (PMI) rose to 52 in March, suggesting an expansion in manufacturing for the first time since September. Industrial production also jumped in March, with average production for the first quarter up almost 8 percent from the fourth quarter. In contrast, retail sales growth edged lower in the first quarter. The trade surplus narrowed, as exports fell sharply whereas imports were relatively flat.

Benchmark interest rates and banks' reserve requirements have been on hold since the end of last year, but Chinese authorities have been encouraging banks to increase lending. Consequently, loan growth has continued to rise, with outstanding loans in March more than 17 percent above the December level. It appears that many of these new loans are linked to the fiscal stimulus package. The recent sharp rise in the Chinese stock market may also be providing a boost to consumer confidence; the Shanghai composite stock index has risen almost 50 percent from its trough in November and is up nearly 20 percent since the time of the March Greenbook. Chinese consumer prices continued to fall and were 1¼ percent below their year-earlier level in March.

Chinese Economic Indicators
(Percent change from previous period, seasonally adjusted, except as noted)

Indicator	2007	2008	2008	2009			
			Q4	Q1	Jan.	Feb.	Mar.
Real GDP ¹	12.3	6.9	1.6	6.5	...	...	...
Industrial production	19.5	1.8	-5.3	7.8	11.5	-6.5	5.8
Consumer prices ²	6.5	1.2	2.5	-6	1.0	-1.6	-1.2
Merch. trade balance ³	262.7	295.5	421.7	325.4	510.3	171.6	294.4

1. Gross domestic product. Annual rate. Quarterly data estimated by staff from reported 4-quarter growth rates. Annual data are Q4/Q4.

2. Non-seasonally adjusted percent change from year-earlier period, except annual data, which are Dec./Dec.

3. Billions of U.S. dollars, annual rate. Imports are valued at cost, insurance, and freight. n.a. Not available. ... Not applicable.

Source: CEIC.

Incoming data from **India** since the March Greenbook provide a mixed picture. Industrial production increased slightly in January and February after a modest decline in the fourth quarter. Merchandise imports and exports continued to decline over the January-February period, leading to a small improvement in the trade deficit. The closely watched wholesale price inflation has continued to fall and was almost flat in March on a 12-month basis. Prompted by the weaker economy and abatement in inflationary pressures, the central bank reduced its policy rate a further 25 basis points at its mid-April meeting. The month-long process for parliamentary elections began in mid-April. The reigning National Congress Party is expected to retain its leading position in the coalition government.

Indian Economic Indicators
(Percent change from previous period, seasonally adjusted, except as noted)

Indicator	2007	2008	2008	2009			
			Q4	Q1	Jan.	Feb.	Mar.
Real GDP ¹	8.9	5.3	-1.9	n.a.	...	...	...
Industrial production	9.9	4.4	-1.7	n.a.	.4	.8	n.a.
Consumer prices ²	5.5	9.7	10.2	n.a.	9.5	8.7	n.a.
Wholesale prices ²	3.8	6.2	8.6	3.0	4.9	3.5	.7
Merch. trade balance ³	-69.7	-113.6	-103.8	n.a.	-73.9	-82.8	n.a.
Current account ⁴	-11.3	-38.0	-58.6	n.a.	...	...	...

1. Gross domestic product. Annual rate. Annual data are Q4/Q4.

2. Non-seasonally adjusted percent change from year-earlier period, except annual data, which are Dec./Dec.

3. Billions of U.S. dollars, annual rate.

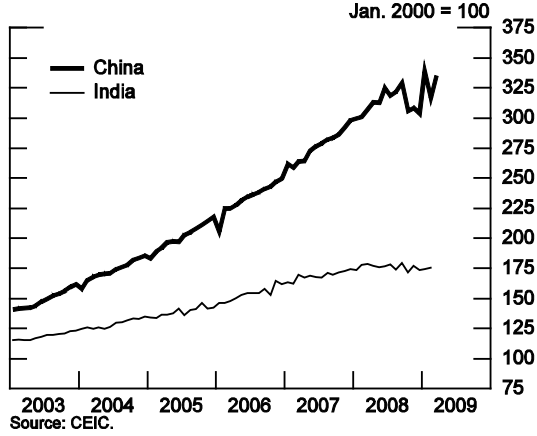
4. Billions of U.S. dollars, not seasonally adjusted, annual rate.

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

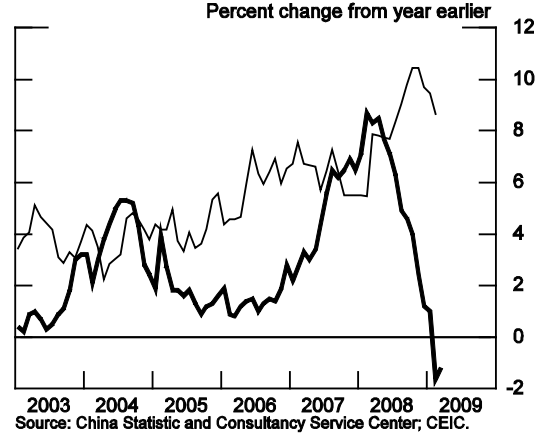
Source: CEIC.

China and India

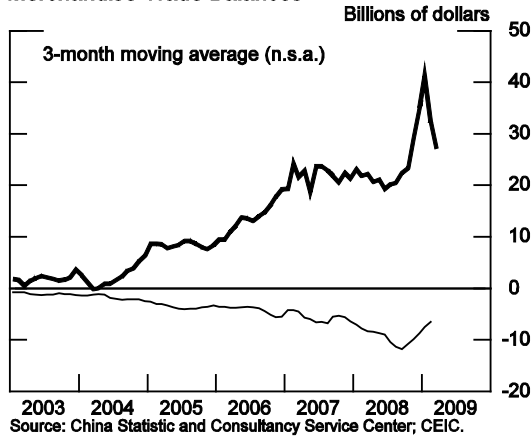
Industrial Production



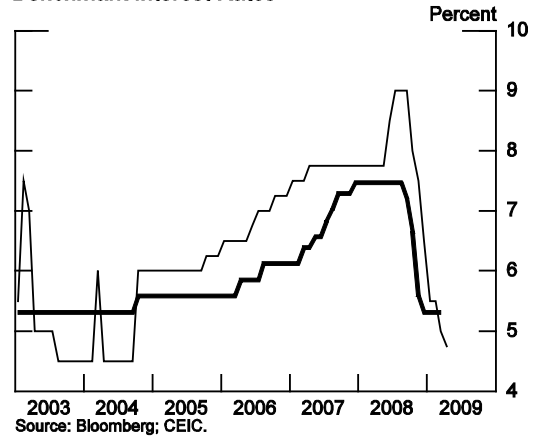
Consumer Prices



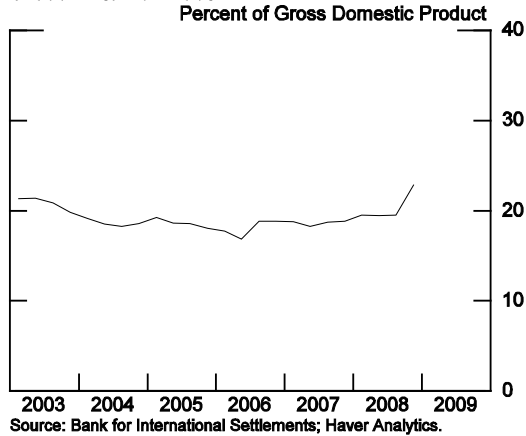
Merchandise Trade Balances



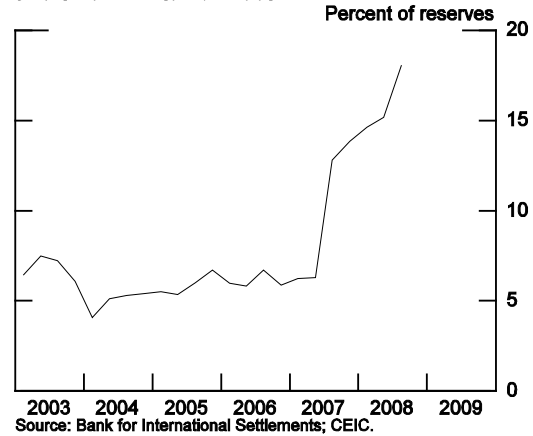
Benchmark Interest Rates



Gross External Debt



Short-Term External Debt



In the **newly industrialized economies (NIEs)**,¹ indicators of first-quarter economic activity were mixed. In Singapore, the preliminary (unofficial) estimates indicate that real GDP contracted nearly 20 percent in the first quarter. The contraction was broad-based, led by a sizeable decline in manufacturing. The construction sector was an exception, where housing and infrastructure projects supported activity. In South Korea, by contrast, there are indications that the pace of decline in activity has moderated. Industrial production was up in January and February, and business and consumer confidence improved. Similarly, industrial production and exports orders were up in Taiwan. Except for Hong Kong, exports generally rose from their depressed January levels, contributing to noticeable improvements in trade balances. Reflecting the ongoing weakness in economic activity, unemployment climbed across the region.

Twelve-month consumer price inflation continued to decline, primarily reflecting significant slack in the economies. After cutting interest rates in consecutive meetings to record lows, central banks in the region kept monetary policy on hold at their most recent meetings. Taiwan passed another fiscal stimulus package worth about \$4.4 billion (1¼ percent of GDP).

Economic Indicators for Newly Industrialized Economies: Growth
(Percent change from previous period, seasonally adjusted, except as noted)

	2007	2008	2008			2009	
			Q3	Q4	Dec.	Jan.	Feb.
<i>Real GDP¹</i>							
Hong Kong	7.1	-2.5	-2.8	-7.8	...	...	...
Korea	5.7	-3.4	1.0	-18.8	...	...	...
Singapore	5.8	-4.0	-2.1	-16.4	...	...	...
Taiwan	6.4	-8.4	-10.4	-25.8	...	...	...
<i>Industrial production</i>							
Hong Kong	-1.6	-6.4	-3.8	-2.3	...	...	...
Korea	7.0	3.0	-2.0	-11.9	-9.6	1.6	6.8
Singapore	5.9	-4.2	2.9	-8.3	-10.7	-11.2	13.9
Taiwan	7.8	-1.8	-4.1	-20.4	-7.9	-3.1	3.3

1. Gross domestic product. Annual rate. Annual data are Q4/Q4.
n.a. Not available. ... Not applicable.
Source: CEIC; Reuters.

¹ The NIEs are Hong Kong, South Korea, Singapore, and Taiwan.

Economic Indicators for Newly Industrialized Economies: Merchandise Trade Balance
(Billions of U.S. dollars; seasonally adjusted annual rate)

	2007	2008	2008	2009			
			Q4	Q1	Jan.	Feb.	Mar.
Hong Kong	-23.5	-25.9	-21.7	n.a.	-2.6	-42.3	n.a.
Korea	28.2	6.0	11.2	n.a.	-11.1	48.7	n.a.
Singapore	36.2	18.4	12.6	11.7	2.5	5.9	26.7
Taiwan	16.8	4.4	9.4	28.6	35.8	14.8	35.2

n.a. Not available. ... Not applicable.
Source: CEIC.

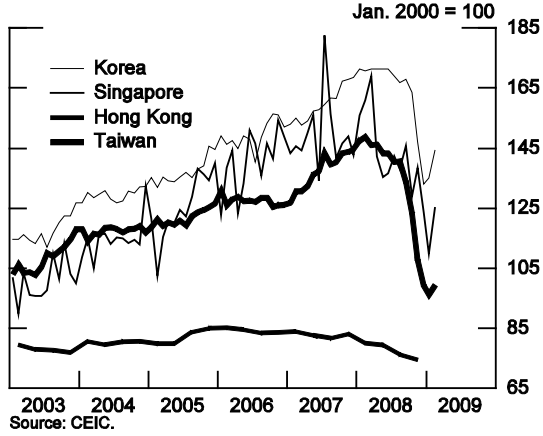
Economic Indicators for Newly Industrialized Economies: Consumer Price Inflation
(Non-seasonally adjusted percent change from year earlier except as noted)

	2007 ¹	2008 ¹	2008	2009			
			Q4	Q1	Jan.	Feb.	Mar.
Hong Kong	3.8	2.1	2.3	n.a.	3.1	.8	n.a.
Korea	3.6	4.1	4.5	3.9	3.7	4.1	3.9
Singapore	4.4	4.3	5.4	n.a.	2.9	1.9	n.a.
Taiwan	3.3	1.3	1.9	.0	1.5	-1.3	-.1

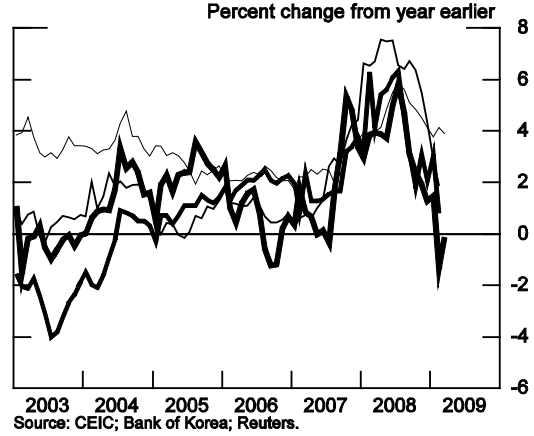
¹Dec./Dec.
n.a. Not available. ... Not applicable.
Source: CEIC.

Newly Industrialized Economies

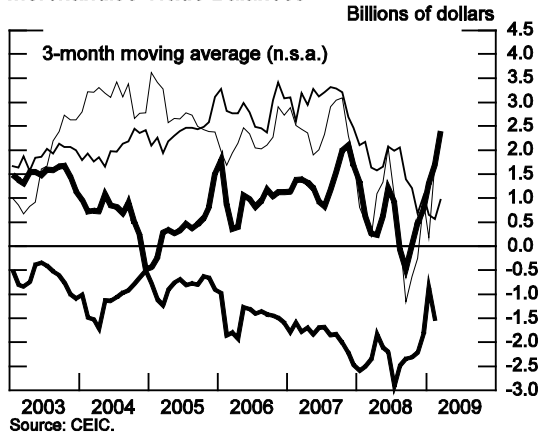
Industrial Production



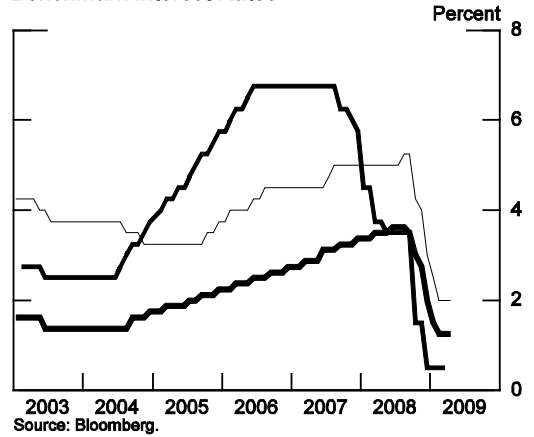
Consumer Prices



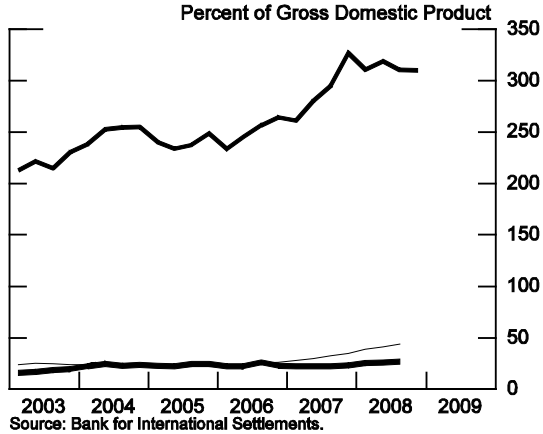
Merchandise Trade Balances



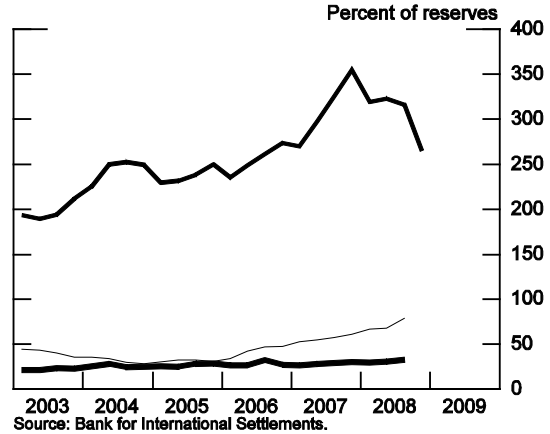
Benchmark Interest Rates



Gross External Debt



Short-Term External Debt



Across the four major members of the Association of Southeast Asian Nations (ASEAN-4),² available indicators for February suggest that economic activity is beginning to stabilize, albeit at depressed levels in Thailand and Malaysia. In February, exports in Indonesia, Malaysia and Thailand increased and industrial production rose. Consumer confidence indicators in March were mixed across countries, with confidence up in Indonesia, but down in Thailand, which has been embroiled in severe domestic political tensions. These tensions erupted in violence in mid-April, after protestors forced the cancellation of a major regional summit, prompting the government to impose a state of emergency. The protestors are calling for new elections.

Inflation in March continued to recede across the region. With upward pressures on prices abating, the central banks of Indonesia, Philippines, and Thailand lowered their target policy rates by 25 basis points in April.

ASEAN-4¹ Economic Indicators: Growth
(Percent change from previous period, seasonally adjusted, except as noted)

Indicator	2007	2008	2008			2009	
			Q3	Q4	Dec.	Jan.	Feb.
<i>Real GDP²</i>							
Indonesia	5.7	4.9	6.9	-3.3	...	...	...
Malaysia	7.4	.1	1.0	-10.7	...	...	...
Philippines	6.5	4.5	4.8	4.1	...	...	...
Thailand	5.9	-4.3	1.7	-22.2	...	...	...
<i>Industrial production³</i>							
Indonesia ⁴	5.6	2.9	-1	-1.1	-3.6	-3.1	6.3
Malaysia	2.3	.5	-1.3	-7.3	-6.1	-2.8	2.8
Philippines	-2.7	.6	.4	-7.2	.4	-14.1	n.a.
Thailand	8.2	5.3	.9	-10.3	-11.3	-6	1.5

1. Association of Southeast Asian Nations.
 2. Gross domestic product. Annual rate. Annual data are Q4/Q4.
 3. Annual data are annual averages.
 4. Staff estimate.
- n.a. Not available. ... Not applicable.
Source: CEIC.

² The ASEAN-4 are Indonesia, Malaysia, the Philippines, and Thailand.

ASEAN-4¹ Economic Indicators: Merchandise Trade Balance
(Billions of U.S. dollars; seasonally adjusted annualized rate)

Indicator	2007	2008	2008			2009	
			Q3	Q4	Dec.	Jan.	Feb.
Indonesia	39.6	32.4	31.6	25.9	22.2	21.2	30.9
Malaysia	29.2	42.7	49.7	34.4	36.3	28.8	46.4
Philippines	-5.0	-7.7	-8.8	-4.8	-8.9	-10.5	n.a.
Thailand	11.6	.2	-4.7	-10.4	2.3	27.3	51.5

1. Association of Southeast Asian Nations.

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

Source: CEIC; Bank of Thailand; Philippines Economic Indicators Telegram (PEIT); Monetary Authority of Singapore.

ASEAN-4¹ Economic Indicators: Consumer Price Inflation
(Non-seasonally adjusted percent change from year earlier except as noted)

Indicator	2007 ²	2008 ²	2008	2009			
			Q4	Q1	Jan.	Feb.	Mar.
Indonesia	5.8	11.1	11.4	8.6	9.2	8.6	7.9
Malaysia	2.4	4.4	5.9	n.a.	3.9	3.7	n.a.
Philippines	3.9	8.0	9.7	6.9	7.1	7.3	6.4
Thailand	3.2	.4	2.2	-2	-3	.0	-1

1. Association of Southeast Asian Nations.

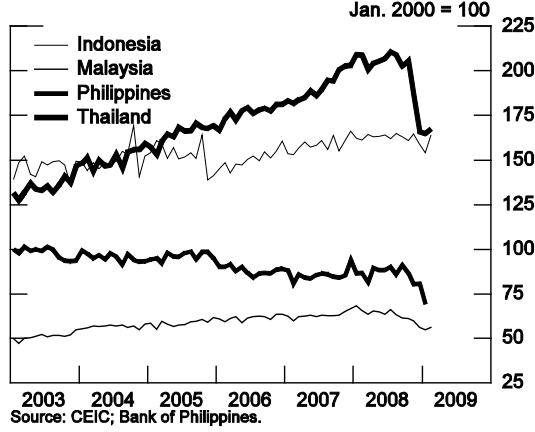
2. Dec./Dec.

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

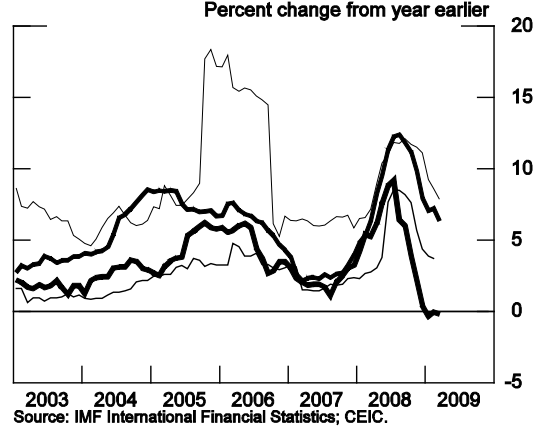
Source: CEIC; IMF International Financial Statistics database.

ASEAN-4

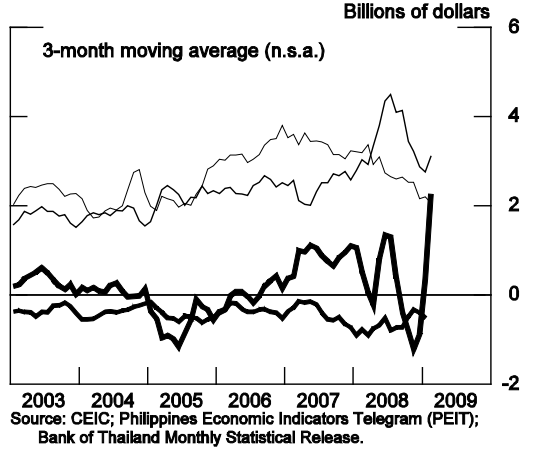
Industrial Production



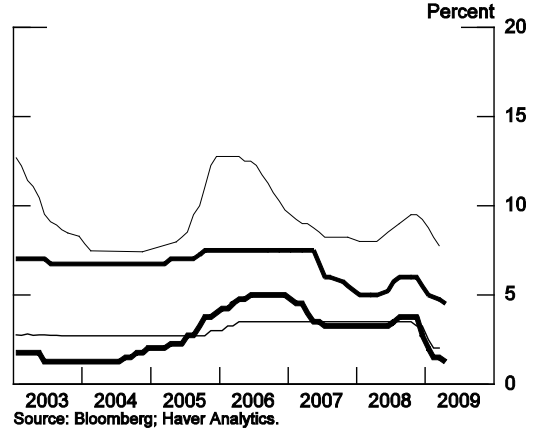
Consumer Prices



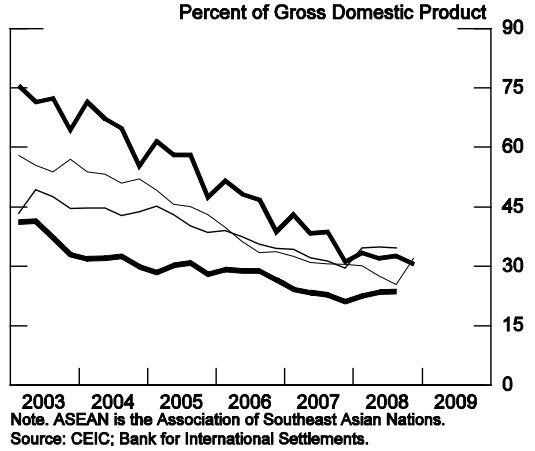
Merchandise Trade Balances



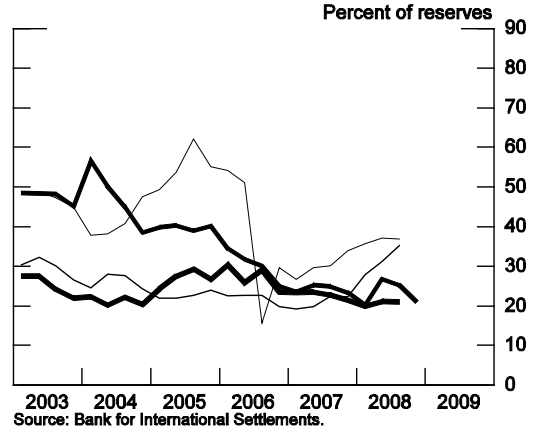
Benchmark Interest Rates



Gross External Debt



Short-Term External Debt



In **Mexico**, incoming data have been mixed. Over the January-February period, industrial production declined, but at a slower pace, driven in part by an uptick in auto production. In the first 2 months of the quarter, exports declined further, albeit at a slower pace than the fourth quarter of 2008. The trade deficit narrowed, as declines in imports exceeded declines in exports. Remittances showed some signs of recovery. Manufacturing PMI moved up on balance in February and March but continued to indicate contraction.

Headline consumer price inflation continued to ease, coming in at 6 percent on a 12-month basis in March. At each of its March and April meetings, the Bank of Mexico cut the policy rate 75 basis points, driven by abating pressures from exchange rate pass-through and the recession. In early April, Mexico began to draw on its swap line with the U.S. Federal Reserve that had been established last October. In mid-April, the IMF approved Mexico's request to have access to a precautionary program of \$47 billion through the Fund's new Flexible Credit Line (FCL). The FCL for Mexico is the largest financial arrangement ever approved by the Fund.

Mexican Economic Indicators
(Percent change from previous period, seasonally adjusted, except as noted)

Indicator	2007	2008	2008	2009			
			Q4	Q1	Jan.	Feb.	Mar.
Real GDP ¹	3.7	-1.7	-10.3	n.a.	...	...	...
Overall economic activity	3.1	1.0	-2.4	n.a.	-4.0	n.a.	n.a.
Industrial production	2.4	-9	-3.0	n.a.	-2.8	.4	n.a.
Unemployment rate ²	3.7	4.0	4.5	n.a.	4.6	4.9	n.a.
Consumer prices ³	3.8	6.5	6.2	6.2	6.3	6.2	6.0
Merch. trade balance ⁴	-10.1	-17.3	-23.4	n.a.	-12.9	-12.5	n.a.
Merchandise imports ⁴	281.9	308.6	272.7	n.a.	230.6	229.8	n.a.
Merchandise exports ⁴	271.9	291.3	249.3	n.a.	217.7	217.3	n.a.
Current account ⁵	-8.1	-15.8	-25.1	n.a.	...	...	...

1. Gross domestic product. Annual rate. Annual data are Q4/Q4.

2. Percent; counts as unemployed those working 1 hour a week or less.

3. Non-seasonally adjusted percent change from year-earlier period, except annual data, which are Dec./Dec.

4. Billions of U.S. dollars, annual rate.

5. Billions of U.S. dollars, not seasonally adjusted, annual rate.

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

Source: Haver Analytics; Bank of Mexico.

In **Brazil**, data releases since the March Greenbook hint that activity may have started to bottom out. The March PMI rose slightly but remained in negative territory. Industrial production rose over the first quarter through February, although it was still well below its level last September. Retail sales were up a little over the January-February period. First-quarter auto production and sales rebounded strongly from their steep declines late last year, boosted by tax reductions and the expansion in credit from government-owned banks. Both exports and imports leveled off somewhat over February and March. Headline and core inflation declined a bit in March.

At their March monetary policy meeting, central bank officials cut the target for the Selic rate by 150 basis points to 11¼ percent, as expected. In late March, the government introduced a new deposit guarantee that was aimed at alleviating funding pressures of small banks. The government also introduced fiscal measures that were aimed at stimulating residential investment and demand for consumer durables.

Brazilian Economic Indicators
(Percent change from previous period, seasonally adjusted, except as noted)

Indicator	2007	2008	2008	2009			
			Q4	Q1	Jan.	Feb.	Mar.
Real GDP ¹	6.1	1.2	-13.6	n.a.	...	...	...
Industrial production	6.0	3.1	-9.5	n.a.	2.2	1.8	n.a.
Unemployment rate ²	9.3	7.9	7.8	n.a.	8.6	8.3	n.a.
Consumer prices ³	4.5	5.9	6.2	5.8	5.8	5.9	5.6
Merch. trade balance ⁴	40.0	24.7	20.0	21.1	7.6	29.3	26.4
Current account ⁵	1.6	-28.3	-21.4	n.a.	-33.0	-7.1	n.a.

1. Gross domestic product. Annual rate. Annual data are Q4/Q4.

2. Percent.

3. Non-seasonally adjusted percent change from year-earlier period, except annual data, which are Dec./Dec. Price index is IPCA.

4. Billions of U.S. dollars, annual rate.

5. Billions of U.S. dollars, not seasonally adjusted, annual rate.

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

Source: Haver Analytics; IMF International Financial Statistics database; Instituto Brasileiro de Geografia e Estatística.

In **Argentina**, indicators were mixed. Industrial production contracted over the January-February period, led by a fall in automotive production. The trade surplus widened after having dipped in December, reflecting increased exports to regional trading partners and depressed imports. In February, the government completed several local and foreign currency debt swaps in an attempt to ease its funding pressures. Twelve-month consumer price inflation fell in the first quarter, reflecting weak domestic demand and declines in commodity prices. However, the reliability of the official inflation data remains questionable.

Argentine Economic Indicators
(Percent change from previous period, seasonally adjusted, except as noted)

Indicator	2007	2008	2008	2009			
			Q4	Q1	Jan.	Feb.	Mar.
Real GDP ¹	9.2	4.4	-1.2	n.a.	...	...	...
Industrial production	7.5	4.9	-4	n.a.	-5.9	2.1	n.a.
Unemployment rate ²	8.5	7.9	7.3	n.a.	...	...	...
Consumer prices ³	8.5	7.2	7.8	6.6	6.8	6.8	6.3
Merch. trade balance ⁴	11.1	13.2	11.8	n.a.	14.6	17.9	n.a.
Current account ⁵	7.1	7.6	7.2	n.a.	...	...	...

1. Gross domestic product. Annual rate. Annual data are Q4/Q4.

2. Percent; not seasonally adjusted.

3. Non-seasonally adjusted percent change from year-earlier period, except annual data, which are Dec./Dec.

4. Billions of U.S. dollars, annual rate.

5. Billions of U.S. dollars, not seasonally adjusted, annual rate.

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

Source: Haver Analytics, IMF International Financial Statistics database; Ministerio de economía; U.S. State Department.

In **Venezuela**, the anecdotal evidence suggests that activity was weak in the first quarter, despite very expansionary policies. Reported inflation was 28 percent on a 12-month basis, but commentators question the reliability of these data. In mid-April, the central bank reduced interest rates on its short-term certificates of deposits; observers speculate that the move was aimed at inducing banks to hold more government debt. The government has been indicating that it will issue more debt domestically. In recent weeks, the Chavez government and the Chavez-controlled congress have taken several steps to further centralize power of the Executive. Several opposition leaders are being investigated for corruption.

Venezuelan Economic Indicators
(Percent change from previous period, seasonally adjusted, except as noted)

Indicator	2007	2008	2008	2009			
			Q4	Q1	Jan.	Feb.	Mar.
Real GDP ¹	8.5	3.2	6.4	n.a.	...	...	...
Consumer prices ²	22.5	30.9	32.3	28.9	29.9	28.8	28.1
Non-oil trade balance ³	-34.6	-37.5	-45.6	n.a.	...	...	...
Merch. trade balance ³	23.7	45.4	-9.8	n.a.	...	...	...
Current account ⁴	20.0	39.2	-18.0	n.a.	...	...	...

1. Gross domestic product. Annual rate. Annual data are Q4/Q4.

2. Non-seasonally adjusted percent change from year-earlier period, except annual data, which are Dec./Dec.

3. Billions of U.S. dollars, annual rate.

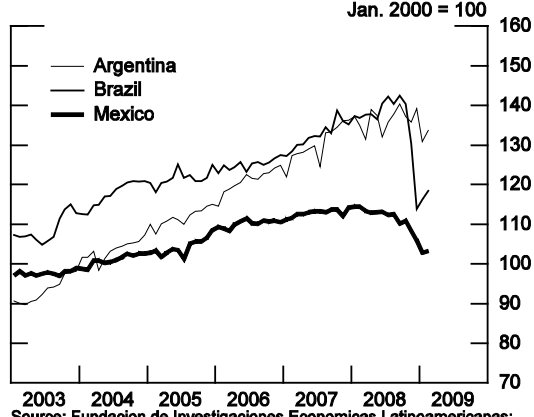
4. Billions of U.S. dollars, not seasonally adjusted, annual rate.

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

Source: IMF International Financial Statistics database; Bank of Venezuela; Reuters; and embassy cables.

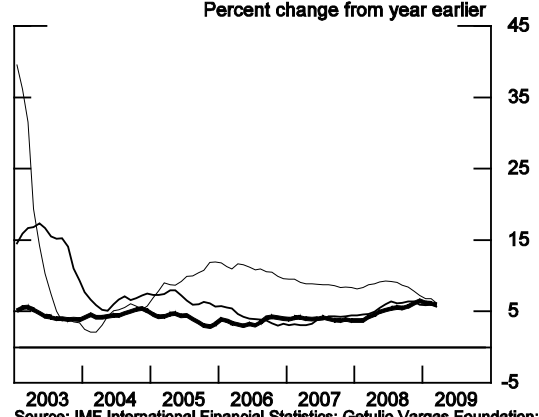
Latin America

Industrial Production



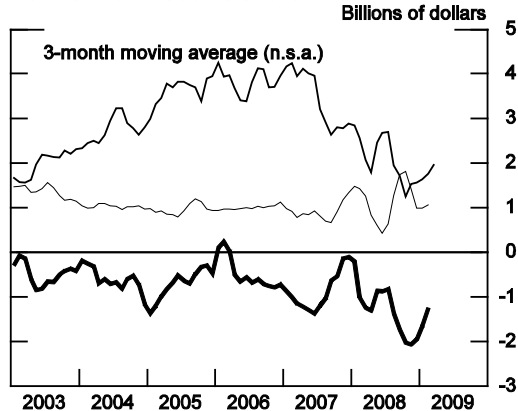
Source: Fundacion de Investigaciones Economicas Latinoamericanas; Haver Analytics.

Consumer Prices



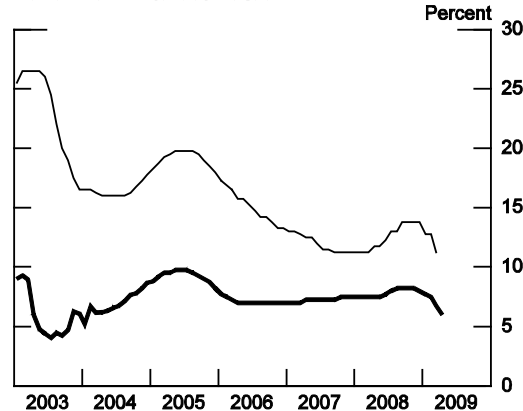
Source: IMF International Financial Statistics; Getulio Vargas Foundation; Haver Analytics; Bank of Mexico.

Merchandise Trade Balances



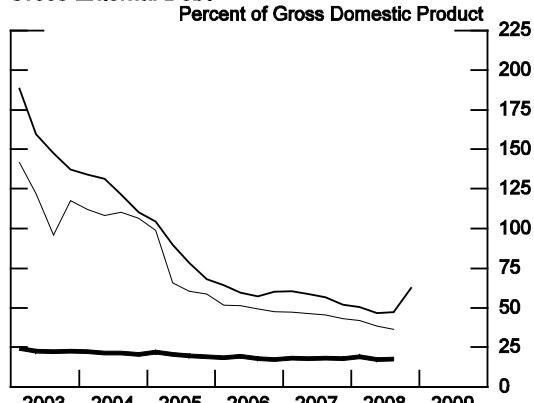
Source: IMF International Financial Statistics, Bank of Mexico.

Benchmark Interest Rates



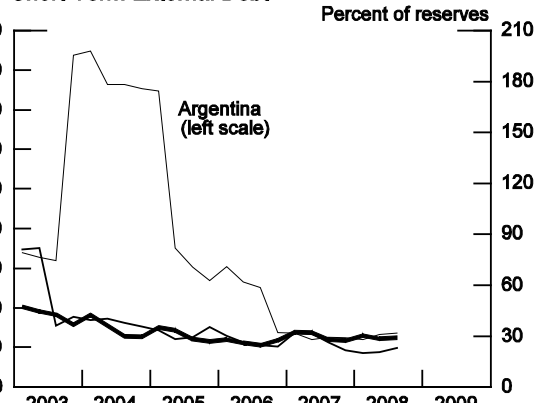
Source: Bloomberg.

Gross External Debt



Source: Haver Analytics; Bank for International Settlements.

Short-Term External Debt



Source: Bank for International Settlements.

In **Russia**, fourth-quarter GDP contracted 7¼ percent (a.r.), the largest decline since the 1998 crisis. Indicators were mixed in the first quarter, as construction showed some rebound but other indicators continued to suggest a contraction. Twelve-month inflation remained in the double digits, fueled by the pass-through from exchange rate depreciation. Since March, the ruble has partially rebounded from its lows earlier this year. In contrast to other major EMEs, the central bank had raised interest rates last year and early this year to defend the ruble. Foreign exchange reserves, which had declined by over one-third from their peak of \$600 billion in mid-2008, have been roughly stable over the past few weeks and stood at \$385 billion in mid-April.

Abbreviations–Part 2

Abbreviations—Part 2

ABS	asset-backed securities
ASEAN-4	Association of Southeast Asian Nations (Indonesia, Malaysia, the Philippines, and Thailand)
BEA	Bureau of Economic Analysis, Department of Commerce
BLS	Bureau of Labor Statistics, Department of Labor
BOC	Bank of Canada
BOE	Bank of England
BOJ	Bank of Japan
CDS	credit default swap
C&I	commercial and industrial
CMBS	commercial mortgage-backed securities
CPI	consumer price index
CRB	Commodity Research Bureau
CRE	commercial real estate
DPI	disposable personal income
ECB	European Central Bank
EMEs	emerging market economies
E&S	equipment and software
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FOG	flow of goods
FOMC	Federal Open Market Committee; also, the Committee
FRBNY	Federal Reserve Bank of New York
G-10	Group of Ten (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, U.K., U.S.)
GDP	gross domestic product
GSE	government-sponsored enterprise
HELOCs	home equity lines of credit
IMF	International Monetary Fund

IP	industrial production
ISM	Institute for Supply Management
Libor	London interbank offered rate
MBS	mortgage-backed securities
NABE	National Association of Business Economists
NAMA	National Asset Management Agency
NFIB	National Federation of Independent Business
NIEs	newly industrialized economies
OAS	option-adjusted spread
OFHEO	Office of Federal Housing Enterprise Oversight
OIS	overnight index swap
OPEC	Organization of the Petroleum Exporting Countries
PC	personal computer
PCE	personal consumption expenditures
PMI	purchasing managers index
PPI	producer price index
TALF	Term Asset-Backed Securities Loan Facility
TARP	Troubled Asset Relief Program
TIPS	Treasury inflation-protected securities
TSLF	Term Securities Lending Facility
WTI	West Texas intermediate