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CONFIDENTIAL (FR)
CLASS III - FOMC

December 18, 1992

SUPPLEMENT
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

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SUPPLEMENTAL NOTES

THE DOMESTIC NONFINANCIAL ECONOMY

Initial Claims for Unemployment Insurance

Initial claims, adjusted for the effect of the emergency unemployment compensation (EUC) program, moved up to an adjusted level of 376,000 during the week ended December 5. Seasonal adjustment problems associated with the Thanksgiving holiday likely reduced the level of claims during the preceding week and imparted an offsetting boost to the level of claims during the most recent week. However, the average of claims (including the EUC effect) over this two-week period--363,000--was well below that recorded in recent months.

The level of insured unemployment held about unchanged at 3.02 million during the week ended November 28. Like initial claims, the level of insured unemployment also has been biased downward by the EUC program during recent months. Correcting for this effect requires assumptions about how long new claimants continue to receive benefits; staff estimates suggest that a bias of around 200,000 persons--about two-thirds of the decline since July--is the right order of magnitude.

December 18, 1992

UNEMPLOYMENT INSURANCE BENEFITS
(In thousands)

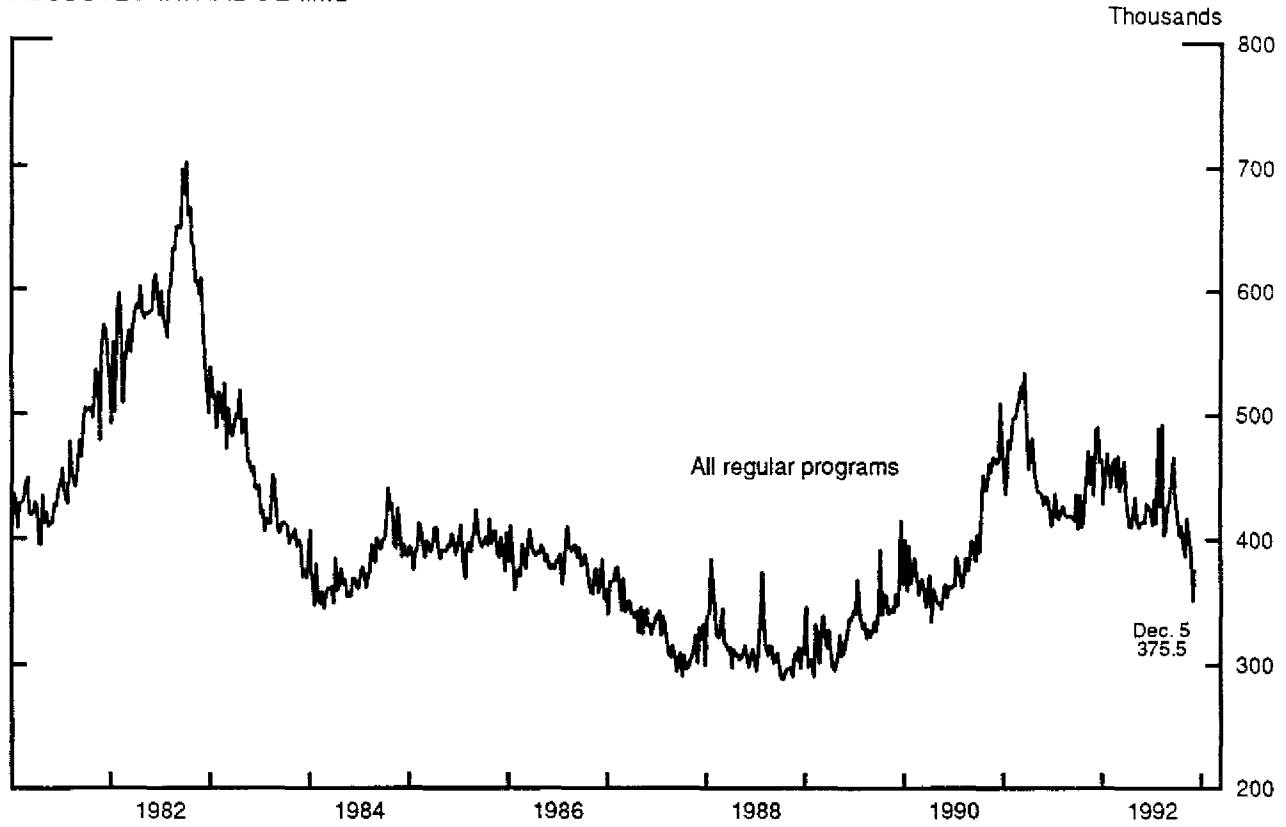
| | 1992 | | | | | | |
|--|------------|------------|-----------|------------|------------|------------|-----------|
| | Oct. 24 | Oct. 31 | Nov. 7 | Nov. 14 | Nov. 21 | Nov. 28 | Dec. 5 |
| -----Seasonally adjusted; BLS basis ¹ ----- | | | | | | | |
| Initial claims | | | | | | | |
| All regular programs ² | 369 | 363 | 394 | 381 | 370 | 330 | 356 |
| State programs | 360 | 355 | 386 | 374 | 362 | 325 | 347 |
| Insured unemployment | | | | | | | |
| Total | 3119 | 3086 | 3141 | 3036 | 3001 | 3022 | -- |
| All regular programs ³ | 3119 | 3086 | 3141 | 3036 | 3001 | 3022 | -- |
| State programs | 3008 | 2976 | 3033 | 2920 | 2902 | 2902 | -- |
| Extended benefits | * | * | * | * | * | * | -- |
| Emergency unemployment benefits ⁴ | 1506 | 1501 | 1410 | 1597 | 1305 | 1660 | -- |
| State-insured Unemployment rate ⁵ | 2.9 | 2.8 | 2.9 | 2.8 | 2.9 | 2.8 | -- |
| -----Not seasonally adjusted----- | | | | | | | |
| <u>Regular state programs</u> | | | | | | | |
| Initial claims | 333 | 332 | 392 | 348 | 402 | 317 | 449 |
| Insured unemployment | 2518 | 2530 | 2512 | 2725 | 2412 | 3015 | -- |

1. Only regular state components are seasonally adjusted.
 2. Includes federal employees and ex-servicemen.
 3. Includes federal employees, railroad workers, and ex-servicemen.
 4. Not seasonally adjusted
 5. Percent of covered employees receiving regular state benefits.
- * Less than 500 people received extended benefits.

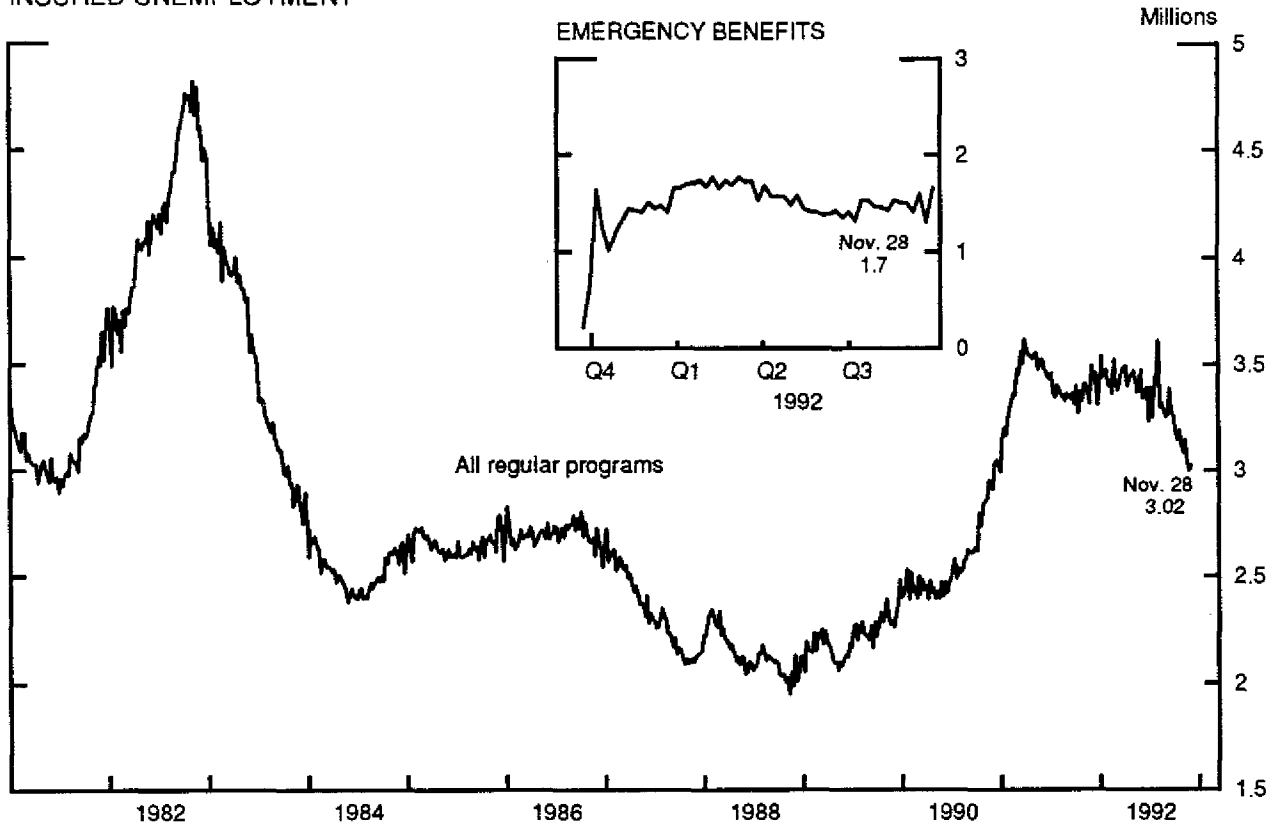
UNEMPLOYMENT INSURANCE

Seasonally Adjusted, BLS Basis

ADJUSTED INITIAL CLAIMS*



INSURED UNEMPLOYMENT



*Initial claims adjusted to include initial claims filed under the emergency unemployment benefits program by individuals also eligible to file under regular programs.

MONETARY AGGREGATES
(based on seasonally adjusted data unless otherwise noted)

| | 1991 ¹ | 1992 Q2 | 1992 Q3 | 1992 Sep | 1992 Oct | 1992 Nov p | Growth Q4 91- Nov 92p |
|--|-------------------|------------|------------|-------------|-------------|---------------|------------------------------|
| -----Percent change at annual rates----- | | | | | | | |
| 1. M1 | 8.0 | 9.8 | 10.3 | 19.1 | 22.7 | 13.9 | 14.5 |
| 2. M2 | 2.8 | 0.4 | 0.2 | 3.7 | 5.2 | 3.5 | 2.3 |
| 3. M3 | 1.2 | -1.3 | -0.1 | 1.8 | 0.4 | 1.8 | 0.6 |
| -----Percent change at annual rates----- | | | | | | | |
| | | | | | | | Levels bil. \$ Nov 92p |
| Selected components | | | | | | | |
| 4. M1-A | 5.6 | 9.1 | 11.2 | 22.8 | 20.8 | 8.5 | 637.8 |
| 5. Currency | 8.4 | 5.8 | 11.2 | 17.4 | 8.4 | 6.7 | 290.0 |
| 6. Demand deposits | 3.4 | 12.5 | 11.4 | 26.9 | 30.8 | 10.7 | 339.2 |
| 7. Other checkable deposits | 12.4 | 11.0 | 8.8 | 12.9 | 25.9 | 23.1 | 381.2 |
| 8. M2 minus M1 ² | 1.1 | -3.0 | -3.6 | -2.3 | -1.7 | -0.8 | 2488.2 |
| 9. Overnight RPs and Eurodollars, NSA | -7.0 | -27.7 | 15.7 | -25.3 | 12.9 | -6.4 | 74.6 |
| 10. General purpose and broker/dealer money market mutual fund shares | 3.9 | -3.9 | -8.2 | -17.2 | 10.1 | 3.8 | 348.7 |
| 11. Commercial banks | 7.1 | 0.5 | -1.8 | 2.5 | 1.1 | -1.4 | 1261.4 |
| 12. Savings deposits (including MMDAs) | 13.3 | 12.0 | 10.0 | 16.7 | 14.7 | 10.3 | 749.8 |
| 13. Small time deposits | 1.1 | -13.3 | -16.7 | -16.8 | -18.0 | -18.0 | 511.6 |
| 14. Thrift institutions | -6.9 | -6.7 | -4.7 | -2.1 | -8.1 | -4.3 | 804.6 |
| 15. Savings deposits (including MMDAs) | 9.3 | 18.9 | 8.3 | 10.8 | 8.8 | 10.1 | 431.8 |
| 16. Small time deposits | -16.8 | -29.4 | -17.7 | -15.9 | -26.6 | -20.2 | 372.9 |
| 17. M3 minus M2 ³ | -5.7 | -9.3 | -1.8 | -7.5 | -23.6 | -6.6 | 682.9 |
| 18. Large time deposits | -11.7 | -18.9 | -16.2 | -14.4 | -21.5 | -11.9 | 369.5 |
| 19. At commercial banks, net ⁴ | -5.1 | -14.8 | -16.0 | -16.7 | -25.4 | -9.4 | 303.0 |
| 20. At thrift institutions | -31.7 | -37.0 | -16.8 | -3.5 | -1.8 | -24.7 | 66.5 |
| 21. Institution-only money market mutual fund shares | 33.4 | 20.1 | 39.9 | 0.0 | -64.1 | -12.3 | 203.5 |
| 22. Term RPs, NSA | -22.0 | 7.8 | 2.2 | 29.5 | 35.2 | 32.6 | 79.4 |
| 23. Term Eurodollars, NSA | -11.0 | -22.7 | -25.6 | -64.0 | -12.5 | 10.1 | 47.8 |
| -----Average monthly change in billions of dollars----- | | | | | | | |
| MEMORANDA:⁵ | | | | | | | |
| 24. Managed liabilities at commercial banks (25+26) | -0.6 | -3.1 | 0.4 | 3.5 | -8.4 | -3.5 | 673.9 |
| 25. Large time deposits, gross | -0.2 | -4.8 | -3.7 | -3.4 | -7.9 | -3.3 | 370.0 |
| 26. Nondeposit funds | -0.4 | 1.7 | 4.1 | 6.9 | -0.5 | -0.2 | 303.9 |
| 27. Net due to related foreign institutions | 0.4 | 5.0 | 0.5 | 3.0 | 3.5 | -0.9 | 64.4 |
| 28. Other ⁶ | -0.8 | -3.3 | 3.6 | 3.9 | -4.0 | 0.7 | 239.5 |
| 29. U.S. government deposits at commercial banks ⁷ | 0.2 | 1.3 | -0.1 | -7.2 | -3.0 | -3.2 | 19.2 |

1. Amounts shown are from fourth quarter to fourth quarter.

2. Nontransactions M2 is seasonally adjusted as a whole.

3. The non-M2 component of M3 is seasonally adjusted as a whole.

4. Net of large denomination time deposits held by money market mutual funds and thrift institutions.

5. Dollar amounts shown under memoranda are calculated on an end-month-of-quarter basis.

6. Consists of borrowing from other than commercial banks in the form of federal funds purchased, securities sold under agreements to repurchase, and other liabilities for borrowed money (including borrowing from the Federal Reserve and unaffiliated foreign banks, loan RPs and other minor items). Data are partially estimated.

7. Consists of Treasury demand deposits and note balances at commercial banks.

p - preliminary

COMMERCIAL BANK CREDIT AND SHORT- AND INTERMEDIATE-TERM BUSINESS CREDIT¹
(Percentage change at annual rate, based on seasonally adjusted data)

| Category | 1990 Dec. to 1991 Dec. | 1992 Q 2 | 1992 Q 3 | 1992 Sep. | 1992 Oct. | 1992 Nov. p | Level, bil.\$ 1992 Nov. p |
|--|---------------------------------|-------------|-------------|--------------|--------------|----------------|------------------------------------|
| Commercial bank credit | | | | | | | |
| 1. Total loans and securities at banks | 3.9 | 3.0 | 4.1 | 6.7 | 4.8 | 4.8 | 2,936.6 |
| 2. Securities | 17.7 | 16.5 | 15.1 | 7.4 | 11.7 | 9.5 | 831.6 |
| 3. U.S. government | 23.8 | 21.9 | 17.8 | 9.3 | 13.3 | 13.9 | 653.7 |
| 4. Other | 1.6 | -2.0 | 5.9 | 0.0 | 6.7 | -6.7 | 177.9 |
| 5. Loans | -0.2 | -1.8 | 0.0 | 6.5 | 2.1 | 3.0 | 2,105.0 |
| 6. Business | -2.8 | -4.2 | -0.9 | 4.8 | 0.4 | 5.2 | 606.0 |
| 7. Real estate | 2.9 | 0.2 | 0.5 | 5.3 | 5.8 | 3.1 | 889.5 |
| 8. Consumer | -3.9 | -3.0 | -2.6 | -2.0 | -4.0 | -1.4 | 354.5 |
| 9. Security | 21.3 | 22.4 | 12.5 | 71.0 | -9.1 | -23.7 | 64.4 |
| 10. Other | -2.8 | -9.0 | 1.5 | 11.6 | 4.5 | 14.0 | 190.7 |
| Short- and intermediate-term business credit | | | | | | | |
| 11. Business loans net of bankers acceptances | -2.4 | -3.7 | -1.2 | 5.0 | -1.6 | 4.4 | 598.8 |
| 12. Loans at foreign branches ² | -1.6 | 26.3 | 1.6 | 4.9 | 14.8 | 29.1 | 25.3 |
| 13. Sum of lines 11 and 12 | -2.4 | -2.6 | -1.1 | 4.8 | -1.0 | 5.4 | 624.1 |
| 14. Commercial paper issued by nonfinancial firms | -10.4 | -3.9 | 7.1 | 1.7 | 20.2 | 49.6 | 151.3 |
| 15. Sum of lines 13 and 14 | -3.9 | -2.9 | 0.5 | 4.4 | 2.7 | 13.9 | 775.4 |
| 16. Bankers acceptances, U.S. trade-related ^{3,4} | -16.2 | -27.3 | -19.5 | -25.1 | 5.1 | -25.5 | 23.0 |
| 17. Finance company loans to business ⁴ | 1.4 | -1.6 | 8.6 | 4.3 | -2.4 | n.a. | 304.5 ⁵ |
| 18. Total (sum of lines 15, 16, and 17) | -2.9 | -3.1 | 2.2 | 3.7 | 1.4 | n.a. | 1,094.5 ⁵ |

1. Average of Wednesdays. Data are adjusted for breaks caused by reclassifications.

2. Loans at foreign branches are loans made to U.S. firms by foreign branches of domestically chartered banks.

3. Consists of acceptances that finance U.S. imports, U.S. exports, and domestic shipment and storage of goods.

4. Based on average of data for current and preceding ends of month.

5. October 1992.

p--Preliminary.

n.a.--Not available.

SELECTED FINANCIAL MARKET QUOTATIONS¹
(percent)

| | 1992 | | | Change from: | | | | |
|--|-----------------|----------------|-----------------------|------------------------|----------------|----------------------|--------------|----------------|
| | Sept 4 | FOMC Nov 17 | Dec 17 | Sept 4 | FOMC Nov 17 | | | |
| Short-term rates | | | | | | | | |
| Federal funds ² | 3.19 | 3.04 | 2.94 | -0.25 | -0.10 | | | |
| Treasury bills ³ | | | | | | | | |
| 3-month | 2.92 | 3.17 | 3.20 | 0.28 | 0.03 | | | |
| 6-month | 2.96 | 3.38 | 3.37 | 0.41 | -0.01 | | | |
| 1-year | 3.06 | 3.54 | 3.58 | 0.52 | 0.04 | | | |
| Commercial paper | | | | | | | | |
| 1-month | 3.22 | 3.29 | 3.69 | 0.47 | 0.40 | | | |
| 3-month | 3.22 | 3.83 | 3.66 | 0.44 | -0.17 | | | |
| Large negotiable CDs ³ | | | | | | | | |
| 1-month | 3.06 | 3.18 | 3.41 | 0.35 | 0.23 | | | |
| 3-month | 3.06 | 3.77 | 3.39 | 0.33 | -0.38 | | | |
| 6-month | 3.11 | 3.77 | 3.49 | 0.38 | -0.28 | | | |
| Eurodollar deposits ⁴ | | | | | | | | |
| 1-month | 3.31 | 3.13 | 3.44 | 0.13 | 0.31 | | | |
| 3-month | 3.31 | 3.88 | 3.44 | 0.13 | -0.44 | | | |
| Bank prime rate | 6.00 | 6.00 | 6.00 | 0.00 | 0.00 | | | |
| Intermediate- and long-term rates | | | | | | | | |
| U.S. Treasury (constant maturity) | | | | | | | | |
| 3-year | 4.38 | 5.21 | 5.21 | 0.83 | 0.00 | | | |
| 10-year | 6.40 | 6.86 | 6.77 | 0.37 | -0.09 | | | |
| 30-year | 7.29 | 7.55 | 7.43 | 0.14 | -0.12 | | | |
| Municipal revenue ⁵ (Bond Buyer) | 6.31 | 6.57 | 6.44 | 0.13 | -0.13 | | | |
| Corporate--A utility recently offered | 8.06 | 8.45 | 8.27 | 0.21 | -0.18 | | | |
| Home mortgage rates ⁶ | | | | | | | | |
| FHLMC 30-yr. FRM | 7.84 | 8.32 | 8.23 | 0.39 | -0.09 | | | |
| FHLMC 1-yr. ARM | 5.15 | 5.20 | 5.47 | 0.32 | 0.27 | | | |
| Stock prices | | | | | | | | |
| | Record highs | Date | 1989 Lows Jan 3 | 1992 FOMC Nov 17 | Dec 17 | Percent change from: | | |
| | | | | | | Record highs | 1989 lows | FOMC Nov 17 |
| Dow-Jones Industrial | 3413.21 | 6/1/92 | 2144.64 | 3193.32 | 3269.23 | -4.22 | 52.44 | 2.38 |
| NYSE Composite | 240.24 | 12/8/92 | 154.00 | 231.09 | 239.12 | -0.47 | 55.27 | 3.47 |
| AMEX Composite | 418.99 | 2/12/92 | 305.24 | 384.29 | 390.42 | -6.82 | 27.91 | 1.60 |
| NASDAQ (OTC) | 667.12 | 12/8/92 | 378.56 | 627.07 | 658.46 | -1.30 | 73.94 | 5.01 |
| Wilshire | 4278.27 | 12/8/92 | 2718.59 | 4101.16 | 4252.45 | -0.60 | 56.42 | 3.69 |

1/ One-day quotes except as noted.

2/ Average for two-week reserve maintenance period closest to date shown. Last observation is average to date for maintenance period ending December 23, 1992.

3/ Secondary market.

4/ Bid rates for Eurodollar deposits at 11 a.m. London time.

5/ Based on one-day Thursday quotes and futures market index changes.

6/ Quotes for week ending Friday previous to date shown.

THE INTERNATIONAL ECONOMY

U.S. Merchandise Trade through October

The U.S. merchandise trade deficit narrowed substantially in October to \$7.0 billion (seasonally adjusted, Census basis) from a revised September deficit of \$8.6 billion. Exports grew 3 percent and imports declined slightly.

The growth of exports in October was primarily in capital goods (partly aircraft and partly machinery other than computers), nonmonetary gold, and consumer goods. The level of exported capital goods in October was 4 percent higher than the third-quarter average; exported consumer goods were also substantially higher than in the third quarter.

The decline in imports was in consumer goods (from a strong September level) and passenger cars from Canada. Non-oil imports in October were about 1 percent above the average for the third quarter. The value of oil imports rose slightly in October; the price of oil increased by about 10 cents per barrel and the quantity imported declined slightly from the September average.

Table 1

December 17, 1992

Merchandise Trade: Census-Based Data
(in billions of dollars, seasonally adjusted*)

| | Exports | | | Imports | | | Balance |
|---------------------------|---------|------|--------|---------|------|--------|---------|
| | Total | Ag. | NonAg. | Total | Oil | NonOil | |
| 1989 | 363.8 | 42.2 | 321.6 | 473.2 | 50.4 | 422.8 | -109.4 |
| 1990 | 393.6 | 40.2 | 353.4 | 495.3 | 62.2 | 433.2 | -101.7 |
| 1991 | 421.7 | 40.1 | 381.6 | 487.1 | 51.2 | 435.9 | -65.4 |
| Quarters at annual rates: | | | | | | | |
| 1991 Qtr | | | | | | | |
| 1 | 408.4 | 39.3 | 369.1 | 474.6 | 51.8 | 422.9 | -66.2 |
| 2 | 420.8 | 37.9 | 382.9 | 476.5 | 51.8 | 424.7 | -55.7 |
| 3 | 419.7 | 40.1 | 379.7 | 494.6 | 52.5 | 442.1 | -74.9 |
| 4 | 440.7 | 43.3 | 397.4 | 503.1 | 48.8 | 454.3 | -62.4 |
| 1992 Qtr | | | | | | | |
| 1 | 440.8 | 43.2 | 397.6 | 499.9 | 41.9 | 458.0 | -59.1 |
| 2 | 441.2 | 42.2 | 399.0 | 525.4 | 52.3 | 473.2 | -84.3 |
| 3 | 445.9 | 45.7 | 400.3 | 545.5 | 57.0 | 488.5 | -99.6 |
| Monthly Rates: | | | | | | | |
| 1990 | | | | | | | |
| Jan | 31.6 | 3.7 | 28.0 | 41.4 | 5.8 | 35.5 | -9.8 |
| Feb | 31.7 | 3.4 | 28.3 | 39.2 | 5.2 | 34.0 | -7.5 |
| Mar | 33.2 | 3.6 | 29.5 | 41.8 | 4.8 | 37.0 | -8.6 |
| Apr | 32.0 | 3.4 | 28.7 | 39.8 | 4.1 | 35.7 | -7.8 |
| May | 32.5 | 3.4 | 29.2 | 40.6 | 4.6 | 36.0 | -8.1 |
| Jun | 33.7 | 3.5 | 30.2 | 40.7 | 4.2 | 36.5 | -7.0 |
| Jul | 32.3 | 3.2 | 29.1 | 41.3 | 4.2 | 37.1 | -9.0 |
| Aug | 32.6 | 3.3 | 29.2 | 41.8 | 5.3 | 36.5 | -9.2 |
| Sep | 32.3 | 3.2 | 29.1 | 41.3 | 5.9 | 35.4 | -9.0 |
| Oct | 34.5 | 3.1 | 31.3 | 43.9 | 6.3 | 37.6 | -9.4 |
| Nov | 33.6 | 3.3 | 30.3 | 43.1 | 6.5 | 36.6 | -9.5 |
| Dec | 33.8 | 3.1 | 30.7 | 40.0 | 5.3 | 34.7 | -6.2 |
| 1991 | | | | | | | |
| Jan | 34.3 | 3.1 | 31.2 | 41.2 | 5.2 | 35.9 | -6.9 |
| Feb | 33.7 | 3.4 | 30.3 | 39.0 | 4.0 | 34.9 | -5.3 |
| Mar | 34.2 | 3.4 | 30.8 | 38.5 | 3.7 | 34.8 | -4.3 |
| Apr | 35.5 | 3.2 | 32.2 | 39.7 | 4.1 | 35.7 | -4.3 |
| May | 35.0 | 3.3 | 31.7 | 40.0 | 4.6 | 35.4 | -5.0 |
| Jun | 34.7 | 3.0 | 31.7 | 39.4 | 4.3 | 35.1 | -4.7 |
| Jul | 35.2 | 3.4 | 31.8 | 40.8 | 4.1 | 36.8 | -5.6 |
| Aug | 34.5 | 3.3 | 31.2 | 41.1 | 4.5 | 36.5 | -6.6 |
| Sep | 35.3 | 3.3 | 32.0 | 41.8 | 4.5 | 37.2 | -6.5 |
| Oct | 36.8 | 3.6 | 33.3 | 42.7 | 4.1 | 38.6 | -5.9 |
| Nov | 37.3 | 3.5 | 33.7 | 41.4 | 4.1 | 37.2 | -4.1 |
| Dec | 36.1 | 3.7 | 32.3 | 41.7 | 3.9 | 37.8 | -5.6 |
| 1992 | | | | | | | |
| Jan | 35.5 | 3.6 | 31.9 | 41.3 | 3.7 | 37.6 | -5.8 |
| Feb | 37.7 | 3.7 | 33.9 | 41.0 | 3.3 | 37.6 | -3.3 |
| Mar | 37.1 | 3.5 | 33.6 | 42.7 | 3.5 | 39.2 | -5.6 |
| Apr | 36.4 | 3.8 | 32.7 | 43.5 | 4.0 | 39.5 | -7.1 |
| May | 35.7 | 3.3 | 32.4 | 42.9 | 4.2 | 38.7 | -7.2 |
| Jun | 38.2 | 3.5 | 34.7 | 45.0 | 4.8 | 40.1 | -6.8 |
| Jul | 37.8 | 3.9 | 33.9 | 45.1 | 4.8 | 40.3 | -7.3 |
| Aug | 35.8 | 3.6 | 32.2 | 44.8 | 4.6 | 40.2 | -9.0 |
| Sep | 37.9 | 4.0 | 33.9 | 46.5 | 4.8 | 41.7 | -8.6 |
| Oct | 39.2 | 4.1 | 35.1 | 46.2 | 4.9 | 41.4 | -7.0 |

* All data are on a revised end-use basis.

Source: U.S. Department of Commerce, Bureau of the Census, Customs Valuation.