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March 14, 2003

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Supplemental Notes

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

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Supplemental Notes

The Domestic Nonfinancial Economy

Industrial Production

Industrial production rose 0.1 percent in February, following a sharp increase in January. Utilities output rose 1.3 percent, pushed up by relatively colder weather, and mining production climbed 1 percent. However, manufacturing production was pulled down by a sharp drop in motor vehicles assemblies. With manufacturing capacity estimated to have edged up 0.1 percent last month, the factory operating rate moved down 0.2 percentage point to 73.4 percent, 6.8 percentage points below its long-term average.

Motor vehicle assemblies slumped 600,000 units (annual rate) in February to 12.3 million units, with all of the decrease in automobiles. Despite this decline, we estimate that the stocks of light vehicles rose further, ending last month well above a level consistent with the average rate of light vehicle sales in the last six months and with manufacturers' desired days' supply. Assemblies of medium and heavy trucks increased 21,000 units last month, but at 230,000 units, production remained weak.

The output of high-tech goods expanded 2.1 percent in February, a second sizable monthly gain. February production of semiconductors rose sharply from an upward-revised January level. The production of microprocessor units was especially robust. The output of computers continued to climb, consistent with Gartner's near-term outlook, but the production of communications equipment slipped 1/2 percent after having risen noticeably in January.

Excluding motor vehicles and parts and high-tech goods, factory output was flat last month. Refining activity rose 0.6 percent, but retraced only a fraction of the drop in the previous month. Among the market groups excluding motor vehicles and parts, high-tech goods, and energy products, the production of consumer goods declined 0.2 percent, pushed down by sharp decreases in the output of food, beverages, and clothing. The output of business equipment edged up 0.1 percent, boosted in part by an increase in the production of industrial and other equipment. The production of materials was unchanged in February; a decrease in the output of durable materials offset a similar-sized increase among producers of nondurables. The production of iron and steel products fell for the fourth straight month. Inventories have begun piling up at steel service centers, while shipments have been moving down. The inventory-sales ratio at steel service centers rose to 3.97 months in January, its highest level since the early 1990s.

According to updated estimates of the staff's flow-of-goods inventory measurement system, the inventory-consumption ratio for iron and steel,

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

Component	Proportion 2002 (percent)	2002 ¹	2002 ²		2002 ³	2003 ³	
			H2	Q4	Dec.	Jan.	Feb.
Total	100.0	1.5	.1	-3.1	-6	.8	.1
Previous	100.0	1.5	.2	-2.9	-.4	.7	...
Manufacturing	84.7	1.1	-.2	-3.4	-.7	.6	-.1
Ex. motor veh. and parts	78.3	.2	-.8	-3.2	-.3	.2	.2
Ex. high-tech industries	71.6	-.4	-1.4	-3.9	-.3	.1	.0
Mining	6.3	-1.9	.8	1.3	1.9	-1.8	1.0
Utilities	9.0	7.7	2.4	-3.3	-1.4	4.0	1.3
<i>Selected industries</i>							
High technology	6.6	7.1	7.0	6.5	-.7	1.9	2.2
Computers	1.3	19.9	17.1	25.5	1.5	1.2	1.4
Communications equipment	2.3	-16.6	-18.7	-16.1	-2.6	3.0	-.5
Semiconductors ⁴	3.0	19.6	22.1	14.1	-.7	1.5	4.2
Motor vehicles and parts	6.5	10.9	5.6	-5.5	-4.9	4.5	-2.4
<i>Market groups excluding energy and selected industries</i>							
Consumer goods	21.9	-1.3	-2.4	-3.8	-.3	.2	-.2
Durables							
Nondurables	18.5	-1.6	-2.2	-4.5	-.4	.3	-.1
Business equipment	7.8	-6.0	-5.3	-7.6	-1.1	.5	.1
Defense and space equipment							
Construction supplies							
Business supplies							
Materials	25.3	1.1	-.5	-3.9	.0	-.1	.0
Durables							
Nondurables	11.7	1.6	-.1	-4.7	.3	-.9	.3

1. Fourth-quarter to fourth-quarter change.
2. Annual rate.
3. Monthly rate.
4. Includes related electronic components.
- ... Not applicable.

Capacity Utilization
(Percent of capacity)

Sector	1972- 2002 average	1982 low	1990- 91 low	2002			2003	
				Q2	Q3	Q4	Jan.	Feb.
Total industry	81.3	70.8	78.6	75.7	76.2	75.4	75.6	75.6
Manufacturing	80.2	68.6	77.2	73.9	74.3	73.5	73.6	73.4
High-tech industries	79.3	75.6	74.6	62.2	62.2	62.1	62.3	63.1
Excluding high-tech industries	80.2	68.1	77.3	75.3	75.8	75.1	75.1	74.9
Mining	86.9	78.6	83.3	84.8	84.9	85.1	85.0	85.8
Utilities	86.7	77.2	84.2	87.8	88.2	86.0	87.8	88.5

wherever held, has moved up in recent months. However, as noted in Part 2, the system shows that inventories overall are low, with a large fraction of industries having inventory-consumption ratios of their products below their historical averages. The aggregate manufacturing ratio moved up in February, but this increase was primarily the result of sharp increases in stocks of motor vehicles and aircraft. Excluding these industries, the aggregate inventory-consumption ratio ticked down.

Producer Prices

The producer price index for finished goods rose 1 percent in February, boosted by substantial increases in prices for food and energy items. Over the twelve months ended in February, the PPI rose 3.5 percent, after having fallen 2.6 percent during the preceding year.

Finished energy prices surged 7.4 percent in February, following a 4.8 percent increase the previous month, as the run-up this year in spot prices for petroleum products continued to work its way through the supply chain. Prices for fuel oil soared 25.2 percent, prices for gasoline jumped 18.8 percent, and prices for natural gas rose 4.8 percent. Over the twelve months ended in February, finished energy prices were up almost 25 percent, more than retracing a decline of around 20 percent in the preceding year.

Food prices rose 0.6 percent in February, on the heels of a 1.6 percent jump in January. Prices for beef and pork climbed substantially in February, but the rate of increase was below January's pace; that pattern is consistent with recent reports from spot cattle and hog markets that the spurt in meat prices has begun to subside.

Excluding food and energy, the PPI for finished goods fell 0.5 percent in February; averaging over the past three months, this index has been about flat. With dealer incentives having been reduced, prices for new cars and light trucks fell substantially in February, partly reversing January's surge. Over the past twelve months, the PPI for core finished goods rose 0.1 percent, down from a 0.7 percent increase in the preceding year.

The PPI for capital goods fell 0.4 percent in February, reflecting both the declines for automobiles, noted above, and a 6.3 percent decline in computer prices. February's drop in computer prices was substantially larger than has been typical in recent reports, and it brought the twelve-month decline in computer prices to almost 23 percent, compared with a decrease of about 29 percent in the previous year.

Prices for core intermediate materials rose 0.7 percent in February, as the run-up in energy prices continued to show through to energy-intensive intermediate

PRODUCER PRICE INDEXES
(Percent)

	From 12 months earlier		From 3 months earlier		2003	
	Feb. 2002	Feb. 2003	Nov. 2002	Feb. 2003	Jan.	Feb.
			-Annual rate-		-Monthly rate-	
Total finished goods	-2.6	3.5	2.9	10.1	1.6	1.0
Food	1.6	0.0	1.4	10.7	1.6	0.6
Energy	-20.8	24.8	11.1	61.9	4.8	7.4
Ex. food and energy	0.7	0.1	1.6	-0.3	0.9	-0.5
Ex. tobacco	0.4	-0.1	1.7	-0.3	0.9	-0.5
Core consumer goods	1.0	0.5	1.8	0.0	0.9	-0.5
Capital equipment	0.1	-0.5	0.9	0.0	0.7	-0.4
Intermediate materials	-4.6	6.7	5.1	13.2	1.3	2.1
Ex. food and energy	-2.0	2.7	2.4	3.5	0.3	0.7
Crude materials	-30.6	36.8	43.1	71.9	6.9	4.8
Ex. food and energy	-6.4	14.5	4.1	18.2	1.0	2.7

materials such as industrial chemicals, nitrogenates, and plastics. The twelve-month change in prices of core intermediate materials stood at 2.7 percent, compared with a decline of 2 percent the previous year. At the crude level, prices other than food and energy rose 2.7 percent in February, and were up 14.5 percent over the twelve months ended in February.

Retail Inventories

The book value of retail inventories increased at an annual rate of \$36.7 billion in January. Excluding stocks held by auto dealers, retail inventories moved up at a \$5 billion rate, following an \$11.8 billion accumulation in the fourth quarter. Non-auto retail sales increased 1.5 percent in January, and the inventory-sales ratio declined to 1.40 months, the lowest ratio since 1992 when comparable data are first available.

Inventory investment in January was paced by an accumulation at motor vehicles and parts dealers (\$31.7 billion). Elsewhere, stock building at clothing and accessory stores more than offset liquidations at retailers of general merchandise and building materials. Apart from autos, only inventory-sales ratios at furniture and appliance stores appear elevated relative to trend.

For the entire manufacturing and trade sector excluding wholesale and retail motor vehicles, book-value inventories declined at an annual rate of \$1.9 billion in January, following a \$21.5 billion accumulation in the fourth quarter. Sales in this broad category increased in January, and the inventory-sales ratio moved down to 1.30 months after having ticked up in December.

Consumer Sentiment

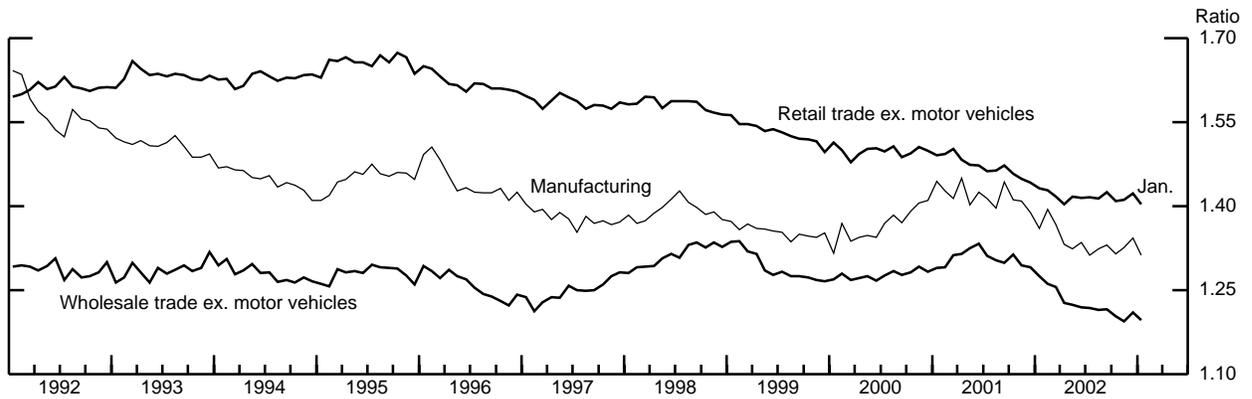
According to the preliminary report, the Michigan Survey Research Center's (SRC) index of consumer sentiment fell again in early March to a level 5 points below the February reading. This index has dropped about 12 points since December and now stands at 75, its lowest level since late 1992.

The current-conditions component of the overall SRC index sank more than 8 points in early March. Consumers' assessments of their current personal finances deteriorated owing to concerns about rising energy prices, weak labor markets, and falling stock prices. In addition, appraisals of buying conditions for large household durables fell to the lowest level in more than ten years, with respondents citing concerns about job and income prospects. The expected-conditions component of the overall index decreased about 3 points, as households' assessments of their expected personal financial situation weakened a fair bit and assessments of business conditions over the next twelve months dipped.

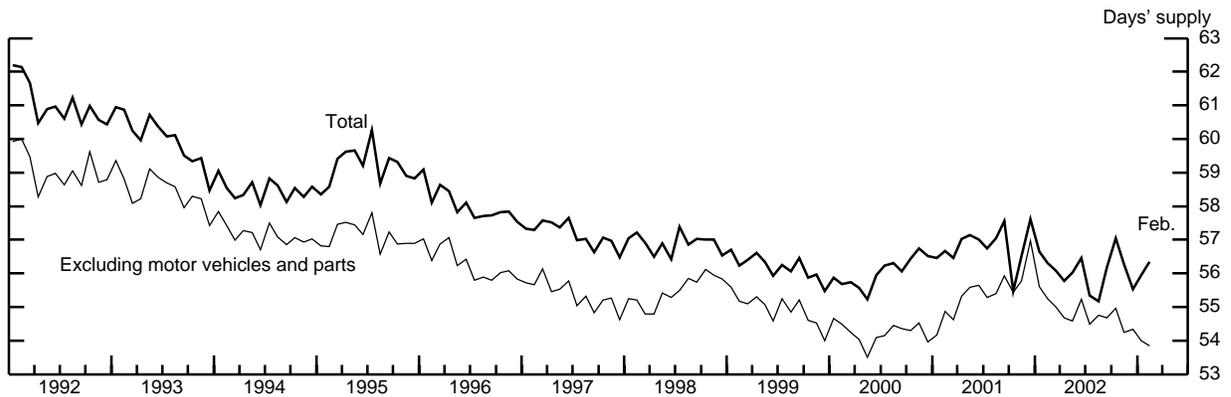
Changes in Manufacturing and Trade Inventories
(Billions of dollars, seasonally adjusted book value, annual rate)

Category	2002			2002		2003
	Q2	Q3	Q4	Nov.	Dec.	Jan.
Manufacturing and trade	12.6	50.5	49.4	41.1	93.3	27.4
Less wholesale and retail motor vehicles	-11.5	27.8	21.5	10.4	92.2	-1.9
Manufacturing	-12.8	4.6	6.3	-10.2	32.8	-1.8
Less aircraft	-10.7	10.2	4.4	-5.9	20.2	-5.1
Merchant wholesalers	-5.6	12.2	7.0	11.0	26.8	-7.5
Less motor vehicles	-7.7	10.1	3.5	4.5	30.6	-5.2
Retail trade	31.0	33.7	36.2	40.3	33.7	36.7
Automotive dealers	22.0	20.6	24.4	24.2	4.8	31.7
Less automotive dealers	9.0	13.1	11.8	16.1	28.9	5.0

Book Value Inventories Relative to Shipments and Sales: Manufacturing and Trade



Inventory-Consumption Ratios, Flow-of-Goods System



Among those items not included in the overall index, expectations about the change in unemployment over the next twelve months worsened slightly in early March, and appraisals of buying conditions for homes fell considerably. In contrast, assessments of buying conditions for cars retraced a small part of their decline in preceding months.

In early March, the mean of expected inflation over the next twelve months increased to 3.6 percent, and the median rose to 3.1 percent. These measures have climbed between 1/2 and 1 percentage point in the past two months. The mean of expected inflation over the next five to ten years edged down to 2.9 percent, while the median was unchanged at 2.7 percent for the third consecutive month.

March 14, 2003

University of Michigan Survey Research Center: Survey of Consumer Attitudes
Indexes of consumer sentiment
 (Not seasonally adjusted)

Category	2002					2003		
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar. ^P
Composite of current and expected conditions ¹	87.6	86.1	80.6	84.2	86.7	82.4	79.9	75.0
Current conditions ¹	98.5	95.8	92.4	93.1	96.0	97.2	95.4	87.1
Expected conditions ¹	80.6	79.9	73.1	78.5	80.8	72.8	69.9	67.2
Personal financial situation								
Now compared with 12 months ago ²	110	103	99	97	104	107	102	93
Expected in 12 months ²	131	130	132	129	135	126	127	120
Expected business conditions								
Next 12 months ²	95	100	74	93	91	80	66	62
Next 5 years ²	97	91	87	92	97	86	86	86
Appraisal of buying conditions								
Cars	152	158	156	153	155	152	140	144
Large household appliances ²	146	145	140	143	144	145	145	132
Houses	163	161	157	165	165	164	165	155
Willingness to use credit	42	47	44	48	41	44	37	39
Willingness to use savings	62	52	52	62	57	59	53	50
Expected unemployment change - next 12 months	129	120	131	123	127	131	130	133
Prob. household will lose a job - next 5 years	25	23	26	25	27	25	26	22
Expected inflation - next 12 months								
Mean	2.6	3.1	2.9	2.5	2.7	2.7	3.2	3.6
Median	2.6	2.5	2.5	2.4	2.5	2.5	2.7	3.1
Expected inflation - next 5 to 10 years								
Mean	3.5	3.0	3.3	3.3	3.2	3.1	3.1	2.9
Median	2.9	2.5	2.8	2.8	2.8	2.7	2.7	2.7

Note. Figures on financial, business, and buying conditions are the percent reporting 'good times' (or 'better') minus the percent reporting 'bad times' (or 'worse'), plus 100. Expected change in unemployment is the fraction expecting unemployment to rise minus the fraction expecting unemployment to fall, plus 100.

P Preliminary.

1. Feb. 1966 = 100.

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

The International Economy

U.S. International Transactions

Prices of Internationally Traded Goods

Non-oil imports. In February, the price of imported non-oil goods and the price of imported core goods rose 0.4 and 0.5 percent, respectively. Rates of increase have been on the rise in recent months and have not been this large since April 2002. Within core goods, the largest price movement was an increase of 2.3 percent in the price for non-oil industrial supplies, prompted by higher prices for natural gas, fertilizers, steel, and precious metals. Prices for capital goods rose 0.3 percent, whereas prices for foods, feeds and beverages fell 0.7 percent. The level of imported core goods prices in January and February on average was about 3½ percent at an annual rate above the fourth-quarter level of last year, following a 1½ percent increase in the fourth quarter.

Oil. The BLS price of imported oil rose 8.2 percent in February after rising a revised 13.3 percent in January. The spot price of West Texas Intermediate (WTI) crude oil also rose in February, averaging nearly \$36 per barrel, about \$3 per barrel greater than in January. The spot price of WTI has remained elevated in March and closed at \$36.03 per barrel on March 13, after falling \$1.80 per barrel. The recent increase in oil prices reflects the market's perception that military action in Iraq may occur soon, increased demand (owing to unusually cold weather in the United States and the shutdown of nuclear reactors in Japan), and low oil inventories. Continued low oil production from Venezuela, relative to pre-strike levels, is also keeping upward pressure on oil prices.

Exports. In February, both the price of exported total goods and the price of exported core goods increased 0.4 percent. Within core goods, the largest price movement was an increase of 1.9 percent in the price of industrial supplies, driven largely by higher prices for petroleum-based products, precious metals, and woodpulp. Prices for foods, feeds and beverages fell 0.6 percent. The level of exported core goods prices in January and February on average was about 2½ percent at an annual rate above the fourth-quarter level of last year, following a smaller increase of 1¼ percent in the fourth quarter.

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

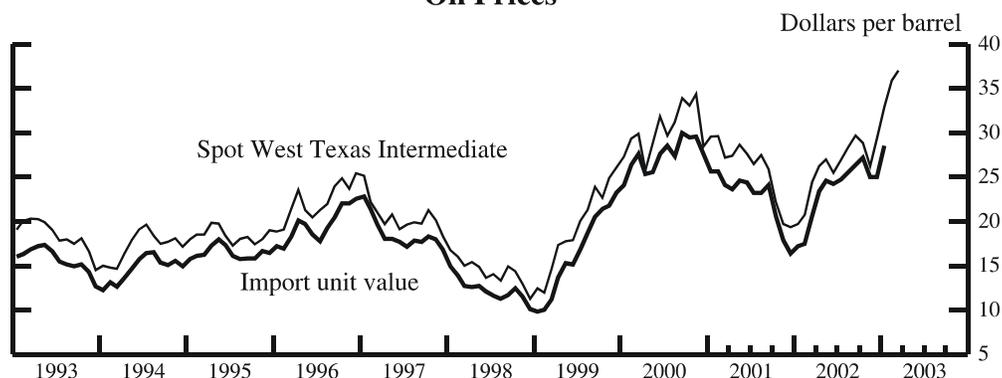
	Annual rates			Monthly rates		
	2002		2003	2002	2003	
	Q3	Q4	Q1 ^e	Dec.	Jan.	Feb.
	----- BLS prices (2000 weights)-----					
Merchandise imports	2.9	0.7	9.8	0.6	1.6	1.3
Oil	28.8	3.5	98.1	5.4	13.3	8.2
Non-oil	0.3	0.4	2.5	0.2	0.3	0.4
Core goods*	1.2	1.5	3.4	0.3	0.4	0.5
Cap. goods ex comp & semi	1.4	-0.8	1.9	0.2	0.2	0.3
Automotive products	0.8	1.2	-0.7	0.1	-0.2	0.1
Consumer goods	0.1	-0.7	0.6	0.1	0.1	0.1
Foods, feeds, beverages	5.8	9.3	2.5	0.3	0.8	-0.7
Industrial supplies ex oil	2.8	5.8	14.1	0.6	1.7	2.3
Computers	-5.9	-9.5	-4.4	-0.5	-0.4	-0.9
Semiconductors	-6.5	-4.6	-3.4	-0.6	-0.6	0.4
Merchandise exports	2.2	0.7	2.0	-0.2	0.4	0.4
Core goods*	4.1	1.3	2.5	-0.2	0.5	0.4
Cap. goods ex comp & semi	0.1	0.7	1.1	-0.1	0.3	0.0
Automotive products	0.8	1.3	0.1	-0.1	0.1	0.0
Consumer goods	0.9	0.4	-0.3	0.0	-0.2	0.3
Agricultural products	25.3	8.2	1.4	-0.5	0.3	-0.6
Industrial supplies ex ag	7.1	1.4	7.9	-0.2	1.3	1.9
Computers	-8.7	-5.7	2.4	0.3	0.2	0.7
Semiconductors	-8.9	-2.8	-4.0	-0.8	-0.6	0.2
	---Prices in the NIPA accounts (1996 weights)---					
Chain price index						
Imports of goods & services	4.4	0.8	n.a	...	...	...
Non-oil merchandise	0.5	0.6	n.a	...	...	...
Core goods*	1.2	1.6	n.a	...	...	...
Exports of goods & services	3.5	0.8	n.a	...	...	...
Total merchandise	3.4	0.9	n.a	...	...	...
Core goods*	4.4	1.7	n.a	...	...	...

*/ Excludes computers and semiconductors.

^{e/} Average of two months.

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

Oil Prices



U.S. Current Account through 2002:Q4

In the fourth quarter, the U.S. current account deficit was \$547 billion (s.a.a.r.), an increase of \$42 billion over the third quarter (revised). The majority of the increase in the deficit was accounted for by a widening in the trade deficit on goods, with a moderate decline in the surplus on services also contributing. The net outflow of income and unilateral transfers was little changed from the third quarter.

The current account deficit for the third quarter was revised down almost \$3 billion (s.a.a.r.), with a downward revision to the deficit on goods and an upward revision to the surplus on services contributing equally. For 2002 as a whole, the current account deficit increased to \$503 billion, up \$110 billion, and equal to 4.8 percent of GDP.

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>				
2001	-358.3	20.5	-55.6	-393.4
2002	-435.5	-5.4	-62.5	-503.4
<i>Quarterly</i>				
2002:Q1	-382.5	2.5	-70.2	-450.2
Q2	-437.8	-14.7	-58.3	-510.8
Q3	-441.0	-5.8	-58.5	-505.3
Q4	-480.9	-3.7	-62.9	-547.4
<i>Change</i>				
Q1-Q4	-30.4	-29.9	-9.6	-69.8
Q2-Q1	-55.3	-17.2	11.9	-60.6
Q3-Q2	-3.2	8.9	-0.2	5.4
Q4-Q3	-39.8	2.1	-4.4	-42.1

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

U.S. International Financial Transactions

On Friday, BEA released fourth quarter and year 2002 data on U.S. international transactions, including adjustments to securities transactions on line 4 of the Summary of U.S. International Transactions table and preliminary data for direct investment and other capital flows (lines 6 through 9). Because Treasury International Capital (TIC) reporting forms likely overstate inflows into U.S. debt securities and understate outflows into foreign equities and bonds, BEA

reduces debt inflows and inflates equity and debt outflows. For the fourth quarter, BEA assumed an especially large overstatement for foreign net purchases of agency securities (line 4b). As a result, private foreigners are now estimated to have made net purchases of agency securities of only \$11 billion in the fourth quarter, a significant slowdown from the third quarter, and to have made small net sales of agency securities in December. These adjustments reduce foreign purchases of U.S. securities (line 4) to \$343 billion for 2002 as a whole, down from the record pace of 2001. Combined with other small adjustments to U.S. acquisitions of foreign securities (line 5), U.S. private net inflows through securities are now estimated at \$343 billion for 2002, still above the sizable net inflows of recent years.

Foreign direct investment into the United States (line 7) slowed further last year to only \$30 billion, reflecting continued low merger activity and weak corporate profits, although the pace of inflows picked up a bit in the fourth quarter. U.S. direct investment abroad amounted to \$124 billion last year, about the same pace as in 2001 (line 6). As a result, net direct investment recorded an outflow of \$93 billion in 2002, following inflows of \$3 billion in 2001 and \$129 billion in 2000. Foreign accumulation of U.S. currency remained relatively strong in 2002 at \$22 billion.

The statistical discrepancy (the last line in the table) for 2002 was a positive \$28 billion, reflecting a swing from a positive \$79 billion in the first half of the year to a negative \$51 billion in the second half. A positive statistical discrepancy indicates some combination of over-reporting of the current account deficit or under-reporting of net financial inflows.

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

	2001	2002	2002					2003	
			Q1	Q2	Q3	Q4	Dec.	Jan.	
Official financial flows	2.3	91.2	7.0	45.7	7.1	31.5	11.8	6.1	
1. Change in foreign official assets in the U.S. (increase, +)	7.2	94.9	6.6	47.5	8.5	32.3	12.8	4.8	
a. G-10 countries	-7.9	30.3	4.9	17.6	1.8	6.0	1.0	5.1	
b. OPEC countries	-1.9	-6.4	-6.6	1.1	-1.3	.5	-1.5	-2.1	
c. All other countries	22.1	70.9	8.3	28.8	8.0	25.9	13.2	1.9	
2. Change in U.S. official reserve assets (decrease, +)	-4.9	-3.7	.4	-1.8	-1.4	-.8	-1.0	1.2	
Private financial flows	379.5	383.0	80.4	27.4	162.5	112.6	...	...
Banks									
3. Change in net foreign positions of banking offices in the U.S. ¹	11.0	94.2	5.2	-27.6	65.7	51.0	50.9	-44.9	
Securities ²									
4. Foreign net purchases of U.S. securities (+)	403.5	342.9	70.7	95.9	100.3	76.0	21.4	26.8	
a. Treasury securities	-5.5	58.7	1.5	-9.0	53.2	13.0	8.5	-2.1	
b. Agency bonds	85.3	67.9	2.4	32.9	22.0	10.6	-1.3	10.9	
c. Corporate and municipal bonds	201.8	160.3	43.3	60.0	17.2	39.9	11.7	21.5	
d. Corporate stocks ³	121.9	56.0	23.4	12.1	8.0	12.6	2.4	-3.5	
5. U.S. net acquisitions (-) of foreign securities	-95.0	.4	2.0	-9.3	18.0	-10.3	-9.4	-8.8	
a. Bonds	12.4	19.5	.6	10.4	5.7	2.7	-5.6	-2.2	
b. Stock purchases	-62.7	-15.6	3.2	-19.8	14.0	-13.1	-3.8	-6.6	
c. Stock swaps ³	-44.7	-3.2	-1.8	.0	-1.4	.0	.0	.0	
Other flows (quarterly data, s.a.)									
6. U.S. direct investment (-) abroad	-127.8	-123.5	-29.5	-34.5	-26.4	-33.0	...	...
7. Foreign direct investment in U.S.	130.8	30.1	16.3	-2.6	2.9	13.5	...	...
8. Foreign holdings of U.S. currency	23.8	21.5	4.5	7.2	2.6	7.2	...	...
9. Other (inflow, +) ⁴	33.4	17.4	11.3	-1.6	-.5	8.3	...	...
U.S. current account (s.a.)	-393.4	-503.4	-112.5	-127.7	-126.3	-136.9	...	...
Capital account balance (s.a.)⁵	.8	.7	.2	.2	.2	.1	...	...
Statistical discrepancy (s.a.)	10.7	28.5	24.9	54.4	-43.4	-7.4	...	...

NOTE: The sum of official and private financial flows, the current account balance, the capital account balance, and the statistical discrepancy is zero. Details may not sum to totals because of rounding.

1. 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.

2. Includes adjustments BEA makes to account for incomplete coverage, but excludes adjustments for commissions and therefore does not match exactly the data on U.S. international transactions published by the Department of Commerce.

3. Includes (4d) or represents (5c) stocks acquired through mergers.

4. 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 since publication of the quarterly data in the Survey of Current Business.

5. Consists of transactions in nonproduced nonfinancial assets and capital transfers.

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

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

Instrument	2000	2001	2003	2003	Change to Mar. 13 from selected dates (percentage points)		
	June 26	Sept. 10	Jan. 28	Mar. 13	2000 June 26	2001 Sept. 10	2003 Jan. 28
<i>Short-term</i>							
FOMC intended federal funds rate	6.50	3.50	1.25	1.25	-5.25	-2.25	.00
Treasury bills ¹							
3-month	5.66	3.19	1.16	1.10	-4.56	-2.09	-.06
6-month	5.94	3.13	1.18	1.11	-4.83	-2.02	-.07
Commercial paper (A1/P1 rates)							
1-month	6.56	3.42	1.25	1.20	-5.36	-2.22	-.05
3-month	6.56	3.24	1.24	1.14	-5.42	-2.10	-.10
Large negotiable CDs ¹							
1-month	6.64	3.46	1.26	1.24	-5.40	-2.22	-.02
3-month	6.73	3.26	1.26	1.20	-5.53	-2.06	-.06
6-month	6.89	3.24	1.26	1.17	-5.72	-2.07	-.09
Eurodollar deposits ²							
1-month	6.63	3.41	1.25	1.21	-5.42	-2.20	-.04
3-month	6.69	3.26	1.25	1.18	-5.51	-2.08	-.07
Bank prime rate	9.50	6.50	4.25	4.25	-5.25	-2.25	.00
<i>Intermediate- and long-term</i>							
U.S. Treasury ³							
2-year	6.54	3.59	1.71	1.62	-4.92	-1.97	-.09
10-year	6.35	5.14	4.24	3.97	-2.38	-1.17	-.27
30-year	6.22	5.55	5.08	4.91	-1.31	-.64	-.17
U.S. Treasury 10-year indexed note	4.09	3.26	2.14	1.75	-2.34	-1.51	-.39
Municipal revenue (Bond Buyer) ⁴	5.99	5.25	5.17	5.06	-.93	-.19	-.11
Private instruments							
10-year swap	7.38	5.62	4.46	4.11	-3.27	-1.51	-.35
10-year FNMA ⁵	7.19	5.68	4.62	4.30	-2.89	-1.38	-.32
10-year AA ⁶	7.64	6.30	5.22	4.85	-2.79	-1.45	-.37
10-year BBB ⁶	8.40	7.11	6.62	6.20	-2.20	-.91	-.42
High-yield ⁷	12.30	12.72	11.55	11.26	-1.04	-1.46	-.29
Home mortgages (FHLMC survey rate) ⁸							
30-year fixed	8.14	6.89	5.91	5.67	-2.47	-1.22	-.24
1-year adjustable	7.22	5.64	3.93	3.76	-3.46	-1.88	-.17

Stock exchange index	Record high		2001	2003		Change to Mar. 13 from selected dates (percent)		
	Level	Date	Sept. 10	Jan. 28	Mar. 13	Record high	2001 Sept. 10	2003 Jan. 28
Dow-Jones Industrial	11,723	1-14-00	9,606	8,089	7,822	-33.28	-18.57	-3.30
S&P 500 Composite	1,527	3-24-00	1,093	859	832	-45.54	-23.86	-3.10
Nasdaq (OTC)	5,049	3-10-00	1,695	1,342	1,341	-73.44	-20.92	-.11
Russell 2000	606	3-9-00	441	373	355	-41.36	-19.35	-4.75
Wilshire 5000	14,752	3-24-00	10,104	8,143	7,886	-46.54	-21.95	-3.15

1. Secondary market.
2. Bid rates for eurodollar deposits collected around 9:30 a.m. Eastern time.
3. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
4. Most recent Thursday quote.
5. Constant maturity yields estimated from Fannie Mae domestic non-callable coupon securities.
6. Derived from smoothed corporate yield curves estimated using Merrill Lynch bond data.
7. Merrill Lynch Master II high-yield bond.
8. For week ending Friday previous to date shown.

NOTES:

June 26, 2000, is the day before the FOMC meeting that ended the most recent period of policy tightening.
 September 10, 2001, is the day before the terrorist attacks.
 January 28, 2003, is the day before the most recent FOMC meeting.

Commercial Bank Credit

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

Type of credit	2001	Q3 2002	Q4 2002	Dec. 2002	Jan. 2003	Feb. 2003	Level, Feb. 2003 (\$ billions)
Total							
1. Adjusted¹	4.0	8.8	11.1	9.0	-1.0	13.5	5,741
2. Reported	4.9	12.2	11.6	10.1	1.2	15.6	5,970
<i>Securities</i>							
3. Adjusted ¹	8.7	11.4	13.1	15.8	-2.4	26.6	1,539
4. Reported	11.8	23.4	14.4	18.8	5.2	32.2	1,769
5. Treasury and agency	5.9	23.1	22.4	13.2	.9	28.8	1,038
6. Other ²	20.5	23.6	3.4	27.1	11.3	37.1	731
<i>Loans³</i>							
7. Total	2.5	7.9	10.4	6.5	-.5	8.8	4,201
8. Business	-3.7	-8.6	-4.7	-2.2	-6.3	-8.4	954
9. Real estate	7.2	18.7	19.9	12.4	10.5	17.1	2,068
10. Home equity	19.9	39.9	22.7	26.6	25.4	28.8	222
11. Other	6.1	16.4	19.5	10.7	8.8	15.7	1,846
12. Consumer	3.8	3.7	8.2	3.1	11.7	4.7	595
13. Adjusted ⁴	7.2	1.3	4.6	3.1	14.0	8.9	951
14. Other ⁵	-.4	6.7	7.1	4.8	-40.3	12.7	585

Note. All data are adjusted for breaks caused by reclassifications. Monthly levels are pro rata averages of weekly (Wednesday) levels. Quarterly levels (not shown) are simple averages of monthly levels. Annual levels (not shown) are levels for the fourth quarter. Growth rates are percentage changes in consecutive levels, annualized but not compounded. The conversion from a thrift to a commercial bank charter added approximately \$37 billion to the assets and liabilities of domestically chartered commercial banks in the week ending May 8, 2002.

1. Adjusted to remove effects of mark-to-market accounting rules (FIN 39 and FIN 115).

2. 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, including revaluation gains on derivative contracts.

3. Excludes interbank loans.

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

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