

Prefatory Note

The attached document represents the most complete and accurate version available based on original files from the FOMC Secretariat at the Board of Governors of the Federal Reserve System.

Please note that some material may have been redacted from this document if that material was received on a confidential basis. Redacted material is indicated by occasional gaps in the text or by gray boxes around non-text content. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

Part 2

April 23, 2008

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Recent Developments

April 23, 2008

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Domestic Nonfinancial Developments

Domestic Nonfinancial Developments

The incoming data continue to suggest that the economy has stalled so far this year. Labor market conditions have deteriorated further, housing activity remains on a steady descent, and nonresidential construction now appears to have turned down as well. Consumer spending has been anemic, with sentiment tumbling further. Investment in business equipment looks to have flattened out in the first quarter. And although manufacturing activity rose in March, it has nevertheless been soft for the year to date. Meanwhile, core consumer price inflation has slowed in recent months, but overall inflation remains elevated.

Labor Market Developments

Labor demand continued to weaken in March. Private payroll employment fell 98,000 following similar declines in January and February. Once again, the declines were widespread by industry, with the exception of nonbusiness services.¹ The workweek ticked up 0.1 hour in March, to 33.8 hours, and aggregate hours of production or nonsupervisory workers on private nonfarm payrolls rose 0.2 percent. Nevertheless, aggregate hours fell at an annual rate of 1.2 percent for the first quarter as a whole.

In the household survey, the unemployment rate rose 0.3 percentage point in March, to 5.1 percent. The unemployment rate averaged 4.9 percent in the first quarter, up from 4.8 percent in the fourth quarter and 4.5 percent in the first half of 2007. Job losers accounted for most of the increase in March, as they have over the past year. The labor force participation rate stood at 66.0 percent in March and has changed little, on net, over the past year.

By and large, other indicators of labor demand have also continued to weaken. Initial claims for unemployment insurance, the level of insured unemployment, and the household survey's measure of job losers unemployed less than five weeks as a percent of employment have all risen further this year. Moreover, the most recent readings on net hiring plans from both the Manpower and National Federation of Independent Business (NFIB) surveys moved down, and the vacancy rate (job openings as a percent of private employment) in the Job Openings and Labor Turnover (JOLT) survey fell further in February (the latest available data). In contrast, the hiring rate in the JOLT survey was flat from December to February after declining since the middle of 2006, while the rate of

¹ On February 26, about 3,600 UAW employees at American Axle & Manufacturing, a motor vehicle parts supplier for General Motors, went on strike. Shutdowns of auto plants directly and indirectly affected by the strike likely account for a substantial proportion of the 24,000 jobs lost in the motor vehicle sector in March; even excluding motor vehicles, however, manufacturing employment fell 24,000.

Changes in Employment

(Thousands of employees; seasonally adjusted)

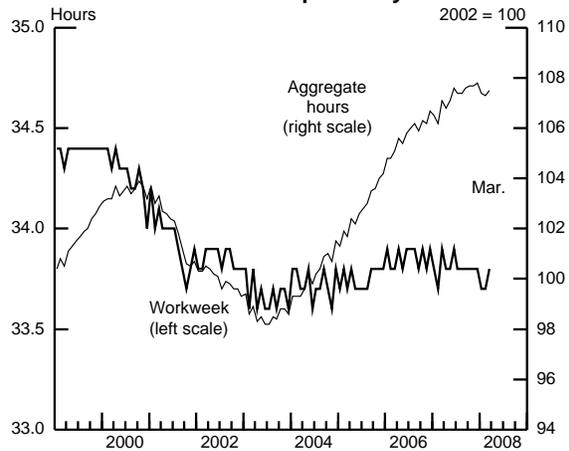
Measure and sector	2006	2007		2008		
		H1	H2	Jan.	Feb.	Mar.
	Average monthly change			Monthly change		
Nonfarm payroll employment (establishment survey)	175	107	76	-76	-76	-80
Private	159	87	54	-79	-109	-98
Natural resources and mining	5	3	3	5	1	6
Manufacturing	-14	-24	-20	-35	-46	-48
Ex. motor vehicles	-11	-16	-14	-29	-39	-24
Construction	13	-7	-32	-39	-37	-51
Residential	-5	-11	-29	-35	-25	-31
Nonresidential	18	4	-3	-4	-12	-21
Wholesale trade	12	10	7	-6	-9	-5
Retail trade	5	12	1	-16	-47	-12
Financial activities	9	-7	-11	-8	-11	-5
Professional and business services	46	19	33	-30	-30	-35
Temporary help services	1	-9	-4	-4	-34	-22
Nonbusiness services ¹	76	80	73	59	67	61
Total government	16	20	22	3	33	18
Total employment (household survey)	264	23	21	37	-255	-24
Memo:						
Aggregate hours of private production workers (percent change) ²	2.4	1.4	1.1	-4	-1	.2
Average workweek (hours) ³	33.9	33.8	33.8	33.7	33.7	33.8
Manufacturing (hours)	41.1	41.1	41.3	41.1	41.2	41.3

1. Nonbusiness services comprises education and health, leisure and hospitality, and "other."
2. Establishment survey. Annual data are percent changes from Q4 to Q4. Semiannual data are Q2/Q4 or Q4/Q2 percent changes at an annual rate. Monthly data are percent changes from preceding month.
3. Establishment survey.

Changes in Private Payroll Employment



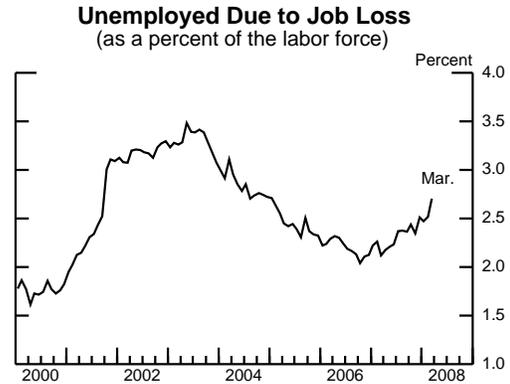
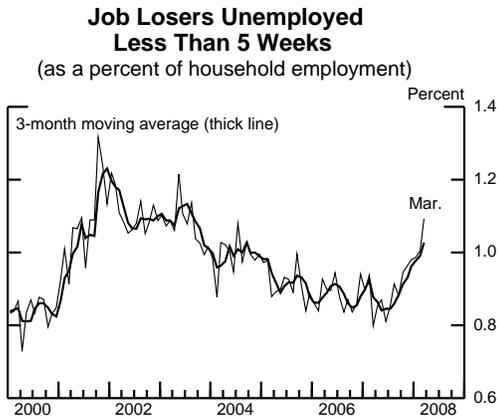
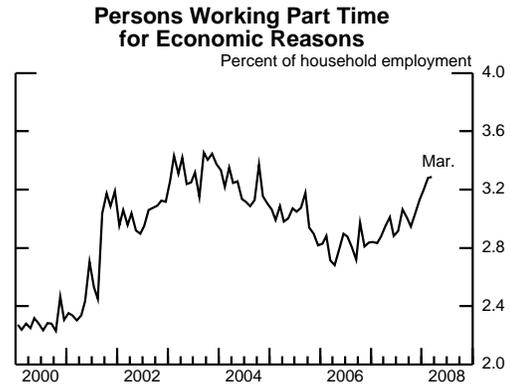
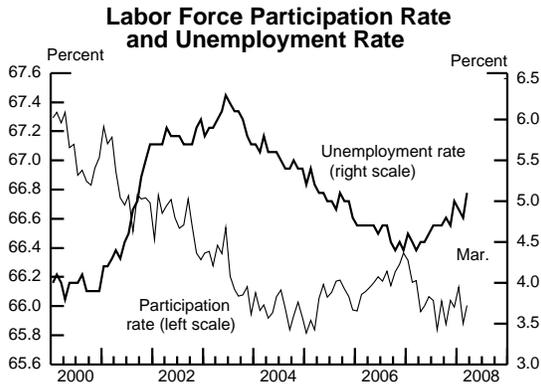
Aggregate Hours and Workweek of Production or Nonsupervisory Workers



Selected Unemployment and Labor Force Participation Rates

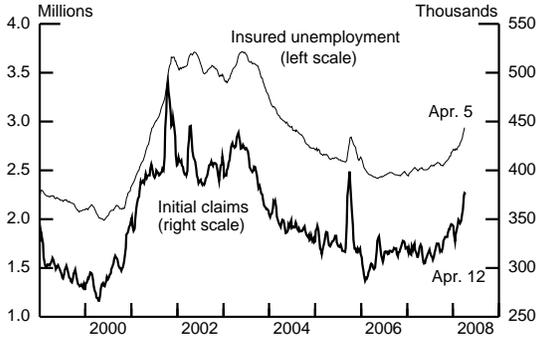
(Percent; seasonally adjusted)

Rate and group	2007	2007		2008			
		Q3	Q4	Q1	Jan.	Feb.	Mar.
<i>Civilian unemployment rate</i>							
Total	4.6	4.7	4.8	4.9	4.9	4.8	5.1
Teenagers	15.7	15.8	16.4	16.8	18.0	16.6	15.8
20-24 years old	8.2	8.6	8.6	9.0	8.7	8.9	9.3
Men, 25 years and older	3.6	3.6	3.7	3.8	3.8	3.7	4.0
Women, 25 years and older	3.6	3.7	3.8	3.9	3.8	3.8	4.1
<i>Labor force participation rate</i>							
Total	66.0	66.0	66.0	66.0	66.1	65.9	66.0
Teenagers	41.3	40.7	41.0	40.3	41.0	40.0	39.8
20-24 years old	74.4	74.4	74.0	73.9	74.4	73.5	73.9
Men, 25 years and older	75.6	75.6	75.5	75.5	75.6	75.5	75.4
Women, 25 years and older	59.7	59.8	59.7	59.9	59.9	59.8	60.1



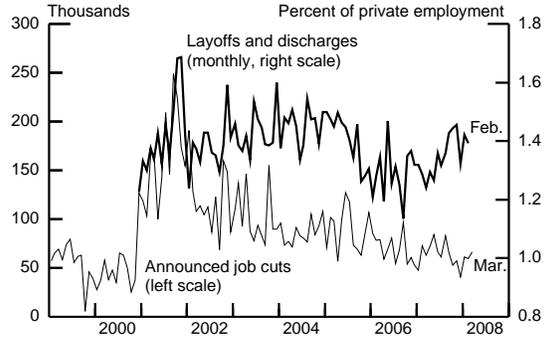
Labor Market Indicators

Unemployment Insurance



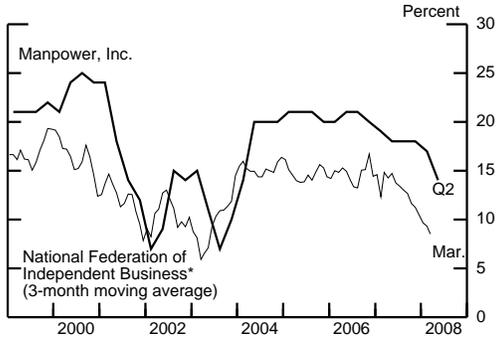
Note. 4-week moving averages.

Layoffs and Job Cuts



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

Net Hiring Plans



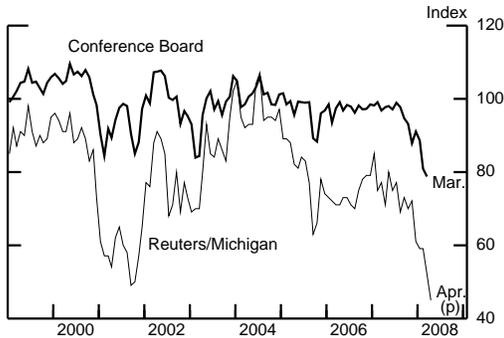
Note. Percent planning an increase in employment minus percent planning a reduction. *Seasonally adjusted by FRB staff.

Job Openings and Hires



Source. Job Openings and Labor Turnover Survey.

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.

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.

Output per Hour

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

Sector	2005:Q4 to 2006:Q4	2006:Q4 to 2007:Q4	2007			
			Q1	Q2	Q3	Q4
Nonfarm business						
All persons	.9	2.9 ¹	1.0	2.6	6.3	1.9 ¹
All employees ²	1.1	2.2 ¹	.7	2.9	5.2	.1 ¹
Nonfinancial corporations ³	1.4	n.a.	1.2	2.1	2.9	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.

layoffs and discharges in the JOLT survey has changed little recently, on net, after rising last year.

Meanwhile, perceptions of labor market tightness in the Conference Board and NFIB surveys eroded further last month, and the fraction of workers who are working part time for economic reasons rose again. Households' expectations for labor market conditions in the Reuters/University of Michigan and Conference Board surveys also continued to worsen in March, and the Reuters/Michigan measure slid further in the first half of April.

Industrial Production

Industrial production (IP) has essentially moved sideways since August, with robust export demand providing some offset to the direct and upstream effects on production from weak residential construction and soft demand for motor vehicles. In March, total IP rose 0.3 percent after a 0.7 percent decline in February, reflecting sizable swings in the output of utilities and manufacturing. Factory output last month was damped by a sharp drop in motor vehicle and parts production, the result of the strike at American Axle. Outside of motor vehicles and parts, manufacturing output rose 0.4 percent in March after falling 0.5 percent in February. The factory operating rate stood at 78.5 percent last month, a level 1.6 percentage points below the recent high reached in July and 1.2 percentage points below its 1972-2007 average.

Motor vehicle production plunged to an annual rate of 9.4 million units in March, a decline of 700,000 units from the previous month. A drop in assemblies at General Motors (GM), where the disruption in the supply of auto parts idled several assembly

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

Component	Proportion 2007 (percent)	2007 ¹	2007	2008			
			Q4	Q1	Jan.	Feb.	Mar.
			Annual rate		Monthly rate		
Total	100.0	2.2	.4	-1	.1	-7	.3
Previous	100.0	1.8	-1.0	...	.1	-5	...
Manufacturing	78.7	2.3	-.6	-.5	.1	-5	.1
Ex. motor veh. and parts	73.6	2.6	.3	.5	.2	-5	.4
Ex. high-tech industries	69.3	1.3	-1.5	-.3	.2	-6	.3
Mining	11.6	.4	6.3	1.6	-1.4	.3	.9
Utilities	9.7	3.1	2.2	1.2	2.4	-3.6	1.9
<i>Selected industries</i>							
Energy	24.7	2.3	4.8	3.4	1.0	-1.3	.8
High technology	4.3	22.1	28.5	14.3	.1	2.0	2.6
Computers	1.0	16.4	18.4	15.6	1.1	1.2	1.3
Communications equipment	1.3	20.5	30.0	15.6	1.0	1.3	1.5
Semiconductors ²	2.0	25.7	32.6	12.9	-9	2.8	3.9
Motor vehicles and parts	5.1	-2.1	-12.7	-15.0	-1.7	-1.3	-5.4
<i>Total ex. selected industries</i>	65.9	1.1	-1.8	-1.1	-.1	-.6	.4
Consumer goods	19.9	.3	-3.1	-.4	-.1	-.3	.8
Durables	3.6	-2.5	-7.2	-9.0	-1.4	-.8	.2
Nondurables	16.3	.9	-2.2	1.6	.2	-.2	.9
Business equipment	7.3	2.8	.2	3.6	.5	-.2	.7
Defense and space equipment	1.7	4.2	3.3	2.0	.8	-.9	.1
Construction supplies	4.2	-1.8	-8.2	-7.1	-.6	-1.3	-.3
Business supplies	7.4	-.1	-1.4	-4.0	-.6	-1.1	.6
Materials	25.4	1.9	-.6	-1.5	.0	-.7	.1
Durables	13.6	3.0	-.1	-.9	.1	-.3	-.3
Nondurables	11.7	.5	-1.2	-2.2	-.2	-1.3	.6

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

2. Includes related electronic components.

... Not applicable.

Capacity Utilization
(Percent of capacity)

Sector	1972- 2007 average	1994- 95 high	2001- 02 low	2007		2008		
				Q3	Q4	Q1	Feb.	Mar.
Total industry	81.0	85.1	73.6	81.3	81.0	80.6	80.3	80.5
Manufacturing	79.7	84.6	71.5	79.8	79.3	78.8	78.6	78.5
Ex. motor veh. and parts	79.9	84.3	71.2	80.2	79.8	79.5	79.2	79.4
Mining	87.5	88.7	84.8	89.0	90.2	90.2	90.1	90.8
Utilities	86.8	93.9	84.6	85.9	85.9	85.7	84.1	85.5
<i>Stage-of-process groups</i>								
Crude	86.6	89.5	81.9	88.3	89.3	89.3	89.0	89.8
Primary and semifinished	82.2	88.2	74.6	81.9	81.3	80.6	80.2	80.1
Finished	77.7	80.4	69.9	78.0	77.6	77.4	77.2	77.4

plants, more than accounted for last month's decline.² Most of the affected assembly lines produce full-size pickups and sport-utility vehicles, the vehicles for which demand has slowed considerably in recent months. On the whole, days' supply of light vehicles was at comfortable levels through the end of last quarter. For the current quarter, the automakers' announced production schedules, which do not incorporate strike-related plant shutdowns (even for April), call for assemblies to move up to a rate of 10.3 million units. However, because demand remains soft and the labor dispute is ongoing, production this quarter may be a good bit lower than the official industry schedules.³

After slowing abruptly at the end of last year, civilian aircraft production was little changed last quarter. Boeing recently announced a further six-month delay for its 787 Dreamliner, pushing the expected first deliveries back to the third quarter of next year. This development will likely cause civilian aircraft output this year to increase at its slowest pace since 2004.

Although high-tech output rose briskly in March, it slowed in the first quarter as a whole to a pace well below the average over the 2003-07 expansion. The deceleration was most pronounced for semiconductors: Demand for chips other than microprocessor units (MPU) has been especially soft, and downstream demand from cell phone manufacturers reportedly has been weak. However, chip inventories do not appear to be excessive and should not be an impediment to further production gains. For computers, unit absorption data from the International Data Corporation suggest that production of personal computers declined in the first quarter, with particular softness in the consumer market. In contrast, anecdotal reports from Intel and IBM suggest that U.S. demand for servers has been relatively robust. Elsewhere in high-tech, the pace of output gains for communications equipment slowed considerably in the first quarter after a relatively strong fourth quarter.

On balance, the available forward-looking indicators suggest that high-tech output will continue to increase at a modest pace over the next few months. For semiconductors, Intel's initial guidance for the second quarter points to a solid rise in MPU production. In contrast, a contact at a major manufacturer of data networking equipment noted that global orders appear to be the weakest since 2003, with widespread softness in the United

² The strike at American Axle has halted or severely reduced production at eight GM assembly plants and about two dozen auto parts plants in the United States; the affected assembly plants account for about 900,000 units (annual rate) of production.

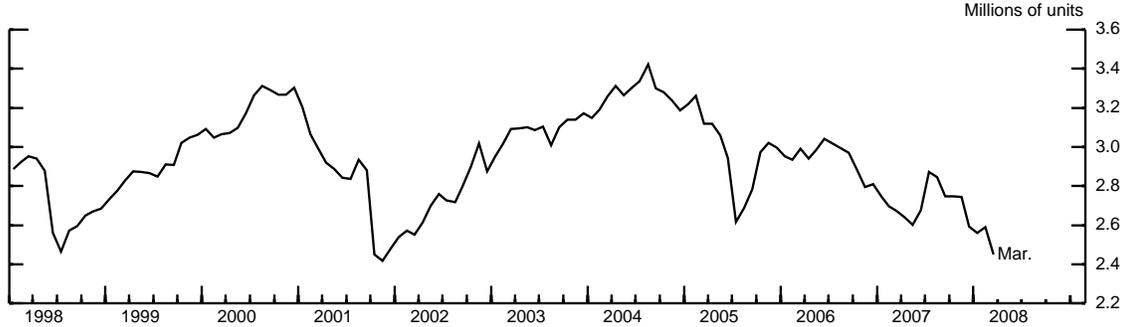
³ In addition to the strike at American Axle, local labor disputes halted production in April at an auto parts plant supplying GM and at a GM assembly plant.

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

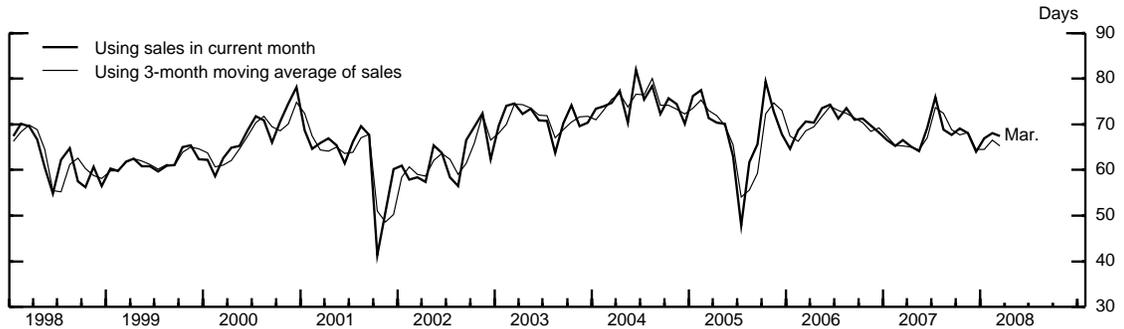
Item	2007		2008					
	Q3	Q4	Q1	Q2	Feb.	Mar.	Apr.	May
U.S. production ¹	10.7	10.3	9.7	10.0	9.9	9.2	9.5	10.3
Autos	3.9	4.0	4.0	4.0	3.9	4.2	3.8	4.2
Light trucks	6.8	6.3	5.7	6.0	6.0	5.0	5.7	6.1
Days' supply ²	69	64	65	n.a.	68	67	n.a.	n.a.
Autos	59	51	51	n.a.	54	52	n.a.	n.a.
Light trucks	75	76	76	n.a.	79	80	n.a.	n.a.
Inventories ³	2.75	2.59	2.45	n.a.	2.59	2.45	n.a.	n.a.
Autos	.99	.90	.84	n.a.	.88	.84	n.a.	n.a.
Light trucks	1.76	1.69	1.61	n.a.	1.70	1.61	n.a.	n.a.
Memo: U.S. production, total motor vehicles ⁴	10.9	10.5	9.9	10.3	10.1	9.4	9.7	10.5

- Note. FRB seasonals. Components may not sum to totals because of rounding.
1. Production rates for the second quarter 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.

Inventories of Light Vehicles

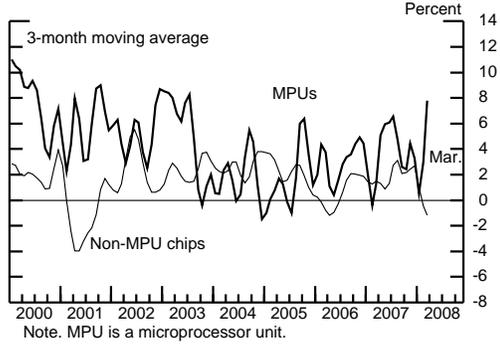


Days' Supply of Light Vehicles

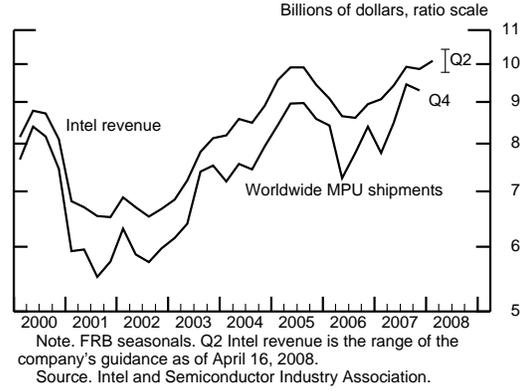


Indicators of High-Tech Manufacturing Activity

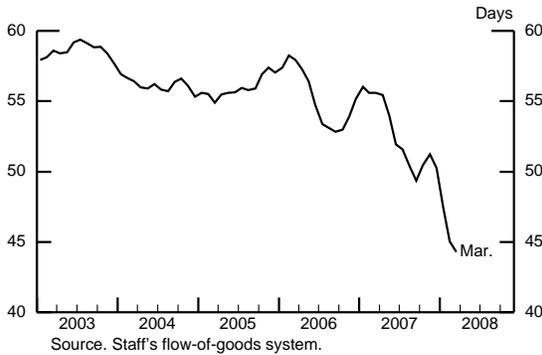
Rate of Change in Semiconductor Industrial Production



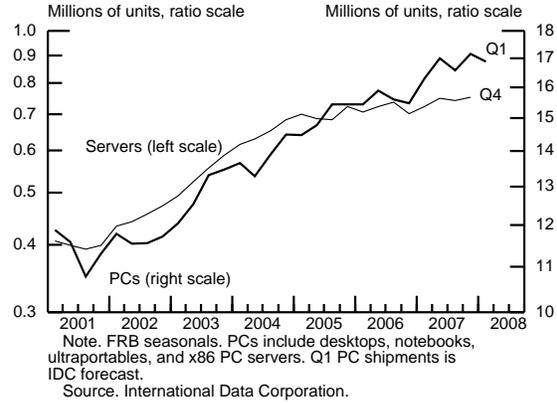
MPU Shipments and Intel Revenue



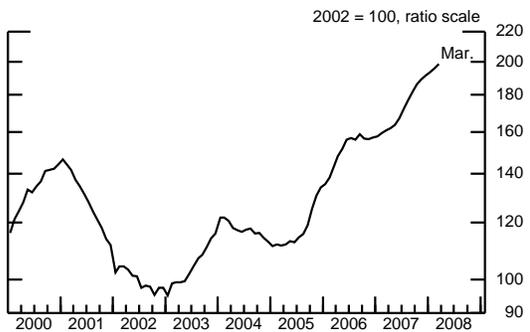
Days' Supply: Semiconductors



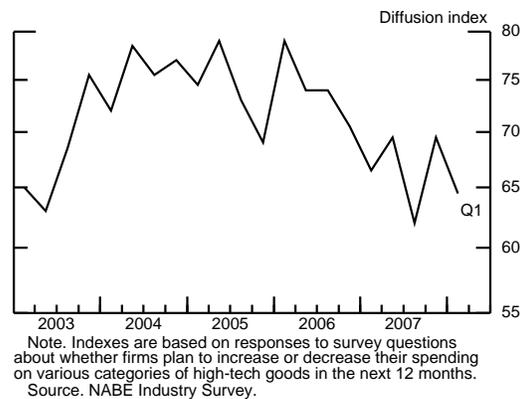
Domestic Absorption for U.S. Personal Computers and Servers



IP: Communications Equipment

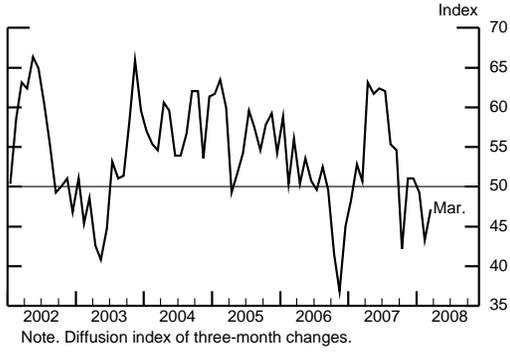


High-Tech Spending Plans

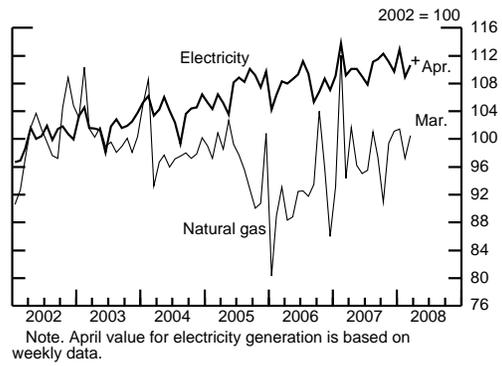


Indicators of Industrial Activity

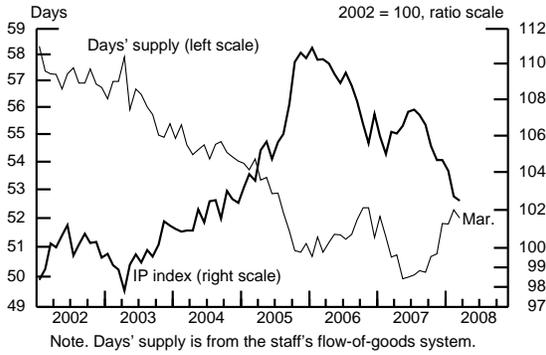
Manufacturing IP Diffusion Index



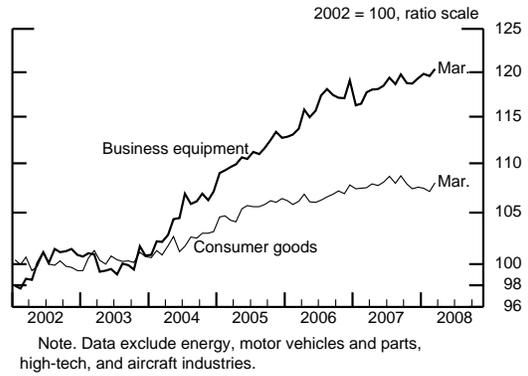
Utilities Output



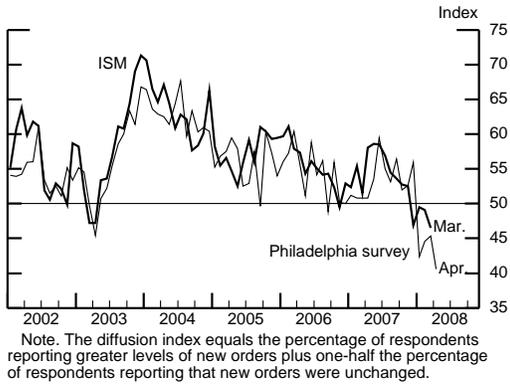
Construction Supplies



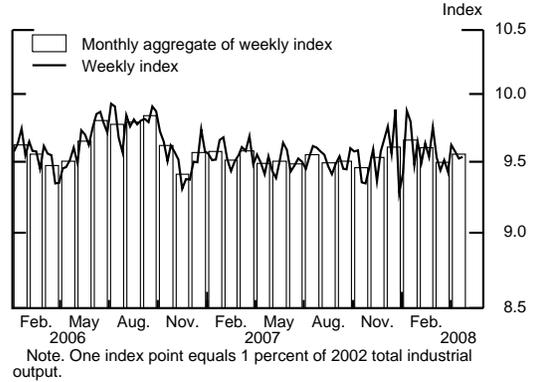
IP: Equipment and Consumer Goods



New Orders: ISM and FRB Philadelphia Surveys



Weekly Production Index excluding Motor Vehicles and Electricity Generation



States. In addition, according to the latest survey from the National Association for Business Economists (NABE), business plans for future spending on high-tech equipment deteriorated in the first quarter.

Outside of the energy, motor vehicles and parts, and high-tech categories, production decreased at an annual rate of 1.1 percent in the first quarter. Among the major market groups, the index for construction supplies registered another big drop. The production of consumer goods edged down in the first quarter, as weakness in consumer durables—especially in appliances, furniture, and products related to home improvement—was mostly offset by gains in the output of nondurables. Production of business equipment, however, climbed solidly, led by increases in industrial and other equipment.

Available near-term indicators suggest that factory output is likely to weaken over the next few months. The new orders index from the Institute for Supply Management (ISM) declined to 46.5 in March and is consistent with modest declines in manufacturing output. The new orders indexes in the various regional surveys, on balance, strengthened a touch in March but, at best, suggest little change in manufacturing output. The first readings on activity in April were mixed. New orders in the Empire State Manufacturing Survey firmed slightly, but the new orders index from the Philadelphia Fed Business Outlook Survey fell to a very low level. Finally, outside of a further decline in motor vehicle assemblies, the available weekly production data, on net, contribute little to the change in output this month.

Motor Vehicles

Sales of automobiles and light trucks averaged an annual rate of just 15.2 million units in the first quarter, nearly 1 million units below the pace in the previous quarter (as well as that for 2007 as a whole).

. High gasoline prices and the sustained decline in residential construction activity continued to erode demand for full-size pickup trucks and sport-utility vehicles, and sales in these segments were particularly weak last quarter. The market share of the Detroit Three automakers, who rely heavily on sales in these categories, moved down further last quarter, to 50 percent.

Forward-looking indicators of demand for motor vehicles suggest that sales will recede further in April. The Reuters/Michigan index of car-buying attitudes continued to deteriorate in the first half of April; although the availability of cash rebates and cut-rate financing has increased this year, the overall level of incentives has remained modest relative to past sales promotions. Through the first 20 days of April, sales at the major

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

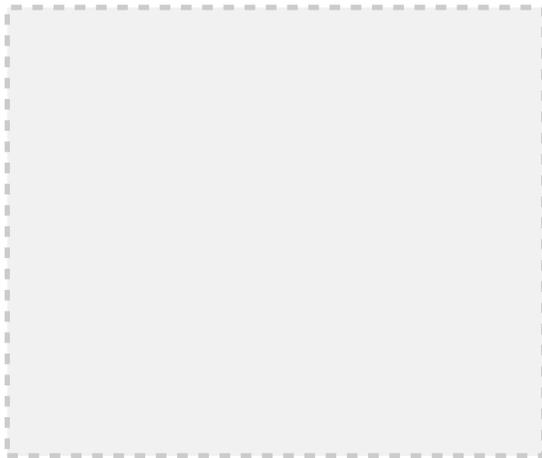
Category	2007	2007		2008			
		Q3	Q4	Q1	Jan.	Feb.	Mar.
Total	16.1	15.9	16.1	15.2	15.3	15.3	15.1
Autos	7.6	7.4	7.8	7.4	7.3	7.4	7.5
Light trucks	8.5	8.5	8.3	7.8	8.0	7.9	7.5
North American ¹	12.4	12.3	12.3	11.5	11.8	11.7	11.2
Autos	5.3	5.1	5.5	5.0	5.1	5.0	5.0
Light trucks	7.1	7.2	6.9	6.5	6.6	6.6	6.2
Foreign-produced	3.8	3.6	3.8	3.7	3.5	3.6	3.9
Autos	2.4	2.3	2.3	2.4	2.2	2.3	2.6
Light trucks	1.4	1.3	1.4	1.3	1.3	1.3	1.3
Memo: Detroit Three domestic market share (percent) ²	51.2	50.4	50.4	50.0	51.3	50.6	48.2

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

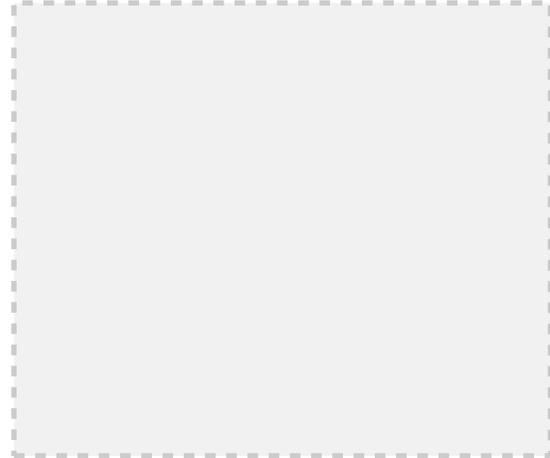
1. Excludes some vehicles produced in Canada that are classified as imports by the industry.

2. Domestic market share excludes sales of foreign brands affiliated with the Detroit Three.

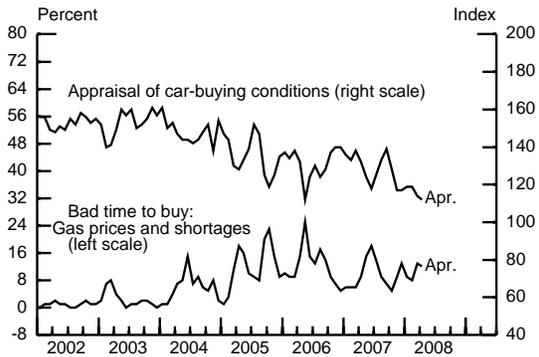
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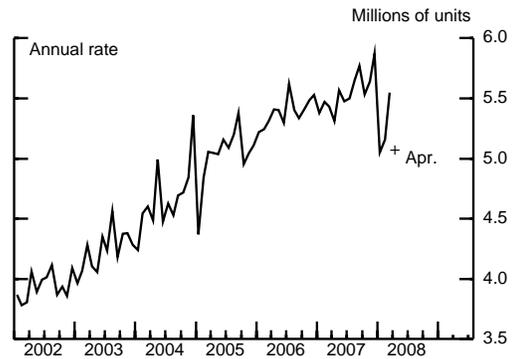


Car-Buying Attitudes



Source. Reuters/University of Michigan Survey.

U.S. Light Vehicle Sales for Toyota, Honda, Nissan, and Mazda



Note. April value is based on sales through April 20, 2008.
Source. Nissan North America.

Japanese automakers were below the pace in March, and our contacts at the Detroit Three automakers also project weaker sales in the near term.

Consumer Spending

Real personal consumer spending appears to have flattened out, on balance, in recent months. On the basis of the latest retail sales data, we estimate that real expenditures on goods other than motor vehicles were little changed in March after having declined slightly, on net, over the preceding six months; spending in March appears to have been boosted significantly by a sizable increase in real outlays on gasoline, which roughly offset declines in a number of other categories. Smoothing through the volatility in the energy components, real outlays on services were reported to have held up reasonably well through February, but estimates for these categories are often extrapolations of past trends that may not reflect the actual pace of spending.⁴ The personal saving rate stood at 0.3 percent in February and has remained close to zero since the middle of last year.

Consumer spending continues to be restrained by adverse fundamentals. In particular, after averaging an annualized rate of about 3 percent over the first three quarters of 2007, the rise in real disposable personal income has slowed to an annual rate of just 1 percent since then, as employment conditions have weakened and prices for energy have risen. Moreover, household net worth is down: Equity prices—though up this month—have dropped appreciably, on net, since the start of the year, while recent indicators point to further declines in house prices early this year. And although interest rates on credit cards and auto loans have edged down recently in the wake of steep declines in Treasury rates, the April Senior Loan Officer Opinion Survey suggests that lenders have continued to tighten standards on household loans (see appendix to the “Domestic Financial Developments” section).

Consumer sentiment, as measured by the Reuters/Michigan survey, plunged in early April from already depressed levels. Indeed, both this measure of consumer sentiment and the one from the Conference Board—which is available through March—have dropped precipitously since last summer. These declines reflect heightened concerns about the economy that can only partially be explained by the usual influences on sentiment, including inflation, the stock market, and employment conditions. The index

⁴ Because the Bureau of Economic Analysis lacks timely data on many categories of services consumption, spending on services has been subject to noticeable downward revisions around the start of downturns in economic activity—for example, from late 1981 to early 1982 and then from late 1990 to early 1991.

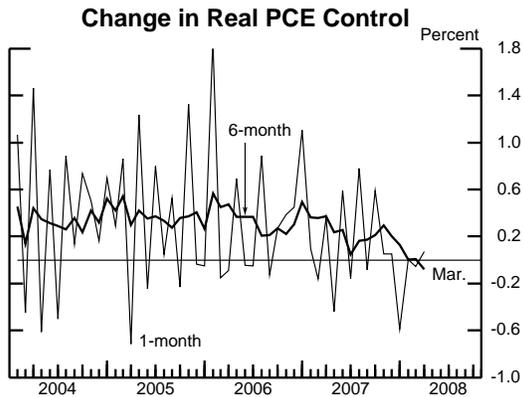
Retail and Food Services Sales

(Percent change from preceding period; seasonally adjusted current dollars)

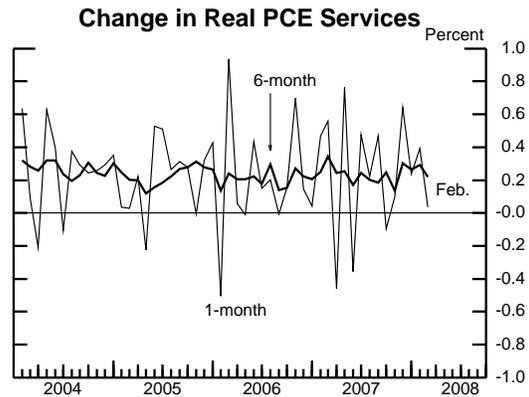
Category	2007		2008			
	Q3	Q4	Q1	Jan.	Feb.	Mar.
	Annual rate		Monthly rate			
Total sales	3.7	3.6	.0	.4	-.4	.2
Retail control ¹	4.0	6.0	3.5	.6	-.1	.3
Ex. sales at gasoline stations	5.0	1.9	.9	.2	.0	.2
Memo:						
Real PCE control ²	4.1	1.0	-1.5	.0	-.1	.1

1. Total sales less outlays at building material and supply stores and automobile and other motor vehicle dealers.

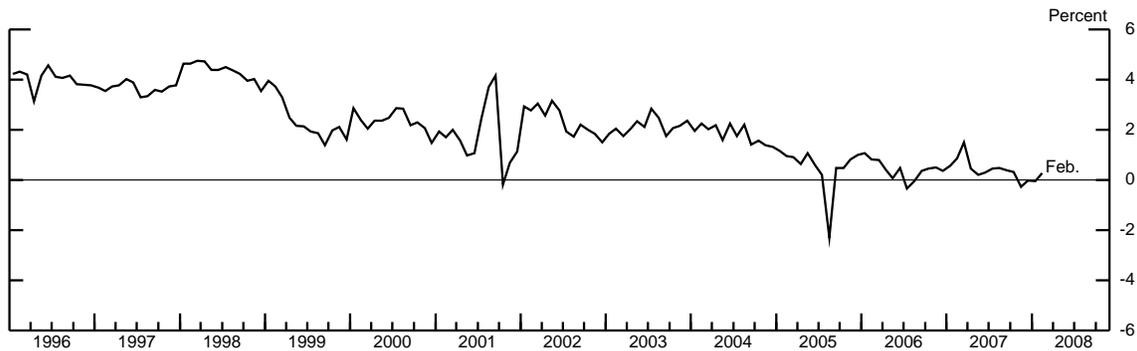
2. Total goods spending excluding autos and trucks. The values for January and February are staff estimates. The values for March and Q1 are staff forecasts.



Note. The values for January and February are staff estimates. The value for March is a staff forecast.



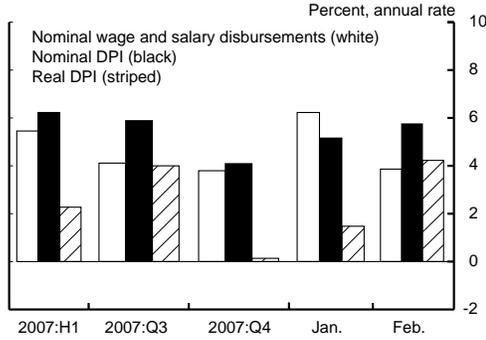
Personal Saving Rate



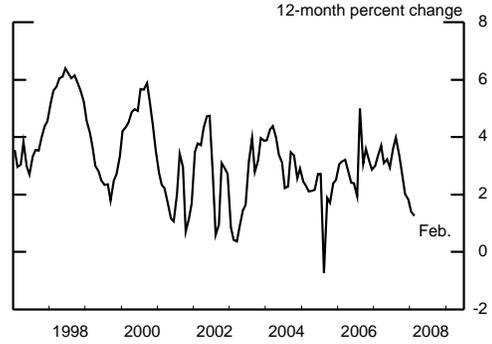
Note. Value for December 2004 excludes the effect on income of the one-time Microsoft dividend in that month.

Fundamentals of Household Spending

Changes in Wages and Salaries and in Disposable Income

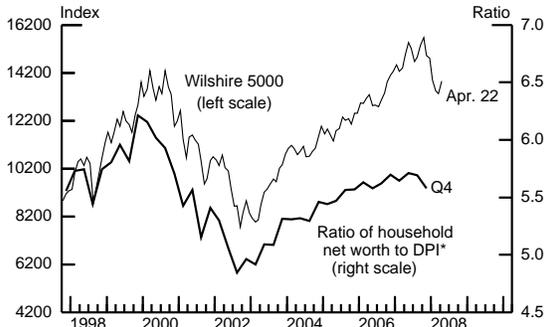


Changes in Real DPI



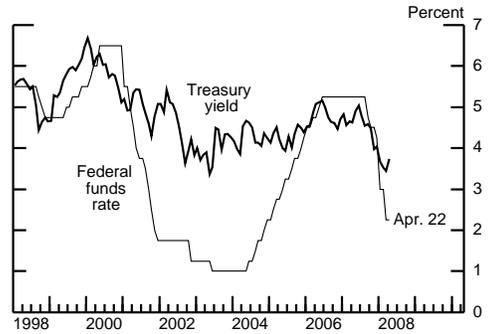
Note. Values for December 2004 and December 2005 exclude the effect on income of the one-time Microsoft dividend in December 2004.

Household Net Worth and Wilshire 5000

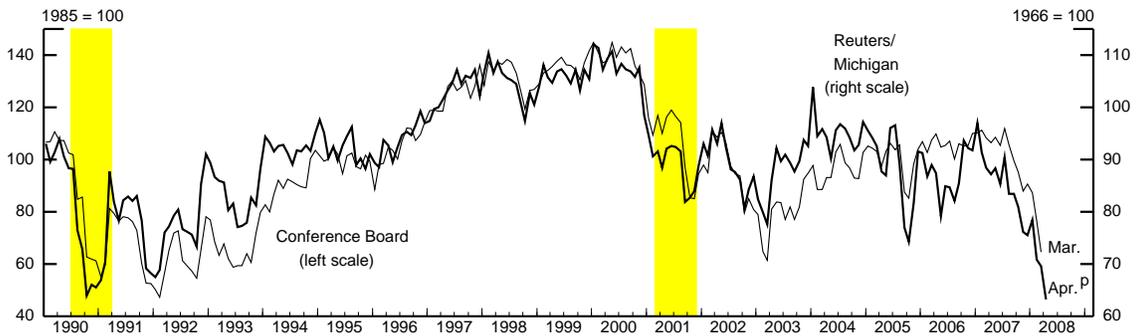


*The value for 2004:Q4 excludes the effect on income of the one-time Microsoft dividend in December 2004.

Target Federal Funds Rate and 10-Year Treasury Yield



Consumer Confidence



Note. Shaded bars indicate periods of recession as defined by the National Bureau of Economic Research.

p Preliminary.

Private Housing Activity

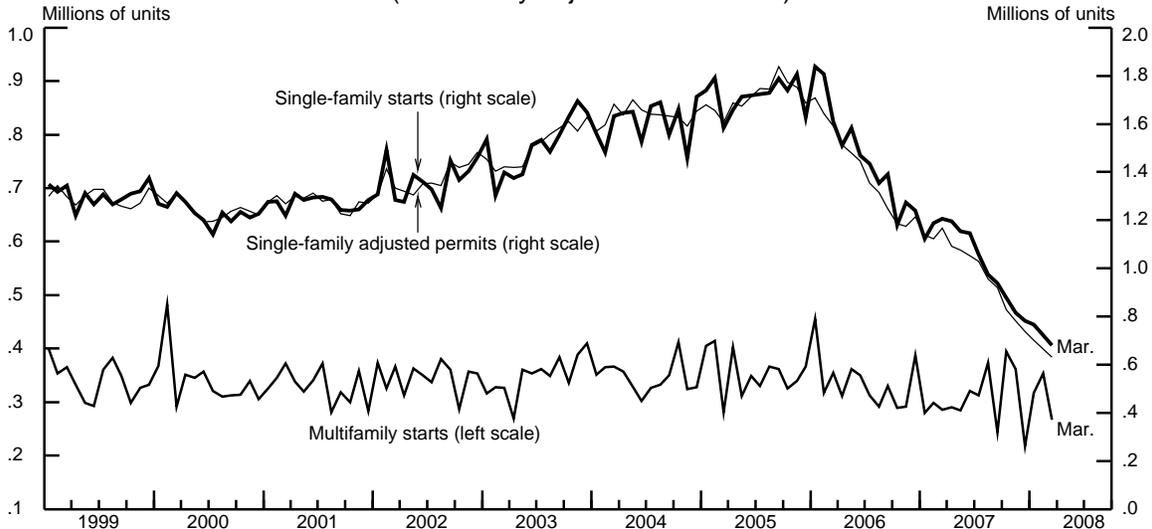
(Millions of units, seasonally adjusted; annual rate except as noted)

Sector	2007	2007		2008			
		Q3	Q4	Q1	Jan.	Feb.	Mar.
<i>All units</i>							
Starts	1.36	1.30	1.15	1.04	1.08	1.08	.95
Permits	1.38	1.32	1.14	.99	1.06	.98	.93
<i>Single-family units</i>							
Starts	1.05	.99	.83	.72	.77	.72	.68
Permits	.97	.94	.76	.64	.68	.65	.61
Adjusted permits ¹	.99	.97	.78	.67	.70	.67	.63
Permit backlog ²	.109	.114	.109	.098	.110	.109	.098
<i>New homes</i>							
Sales	.78	.73	.66	n.a.	.60	.59	n.a.
Months' supply ³	8.33	8.79	9.24	n.a.	9.60	9.58	n.a.
<i>Existing homes</i>							
Sales	4.94	4.76	4.39	4.39	4.35	4.47	4.35
Months' supply ³	8.67	9.15	9.96	10.18	10.74	9.77	10.02
<i>Multifamily units</i>							
Starts	.309	.310	.325	.313	.317	.354	.267
Permits	.407	.384	.377	.347	.380	.338	.321
Permit backlog ²	.075	.075	.075	.070	.077	.073	.070
<i>Mobile homes</i>							
Shipments	.096	.096	.093	n.a.	.092	.094	n.a.
<i>Condos and co-ops</i>							
Existing home sales	.713	.701	.608	.560	.540	.560	.580

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.

Private Housing Starts and Permits

(Seasonally adjusted annual rate)



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

from the Reuters/Michigan survey now stands a touch below the nadir reached during the 1990-1991 recession.

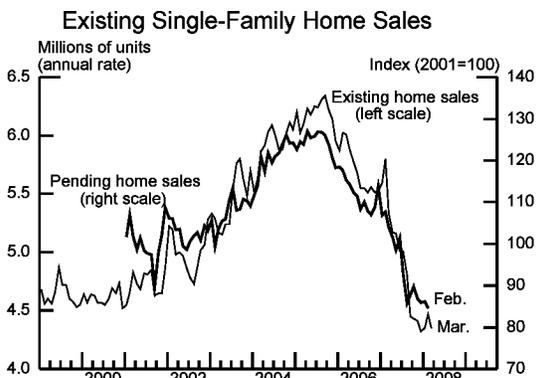
Housing

Residential construction activity has continued to plummet. In the single-family sector, housing starts were at an annual rate of 680,000 units in March, down 13 percent from three months earlier, while adjusted permit issuance in this sector—which tends to lead new activity by a month or so—descended at a similar rate and remained below the level of starts. Cutting through the month-to-month volatility, multifamily starts came in at an annual rate of about 310,000 units in the first quarter, in line with their average since mid-2006 but about 10 percent below the middle of the fairly narrow range of readings posted during the housing boom.

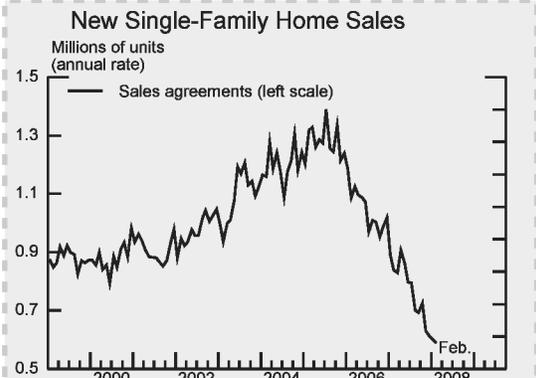
Housing demand has weakened substantially since late summer, and forward-looking indicators—such as pending home sales, the Mortgage Bankers Association index of mortgage purchase applications, and the Reuters/Michigan measure of homebuying sentiment—provide little basis for expecting demand to firm in the coming months. Existing home sales fell 2¾ percent in March, down 18 percent from their reading 12 months earlier. As for new homes, available data from the Census Bureau show that the number of new-home sales agreements dropped to an annual rate of 590,000 units in February, a decrease of 30 percent from their year-earlier level. As a result, even though production cuts by homebuilders helped reduce the level of inventories about 13 percent over the year ending in February, the months' supply of new homes for sale continued to move higher.

Much of the most recent weakening in housing demand can be attributed to the challenging mortgage lending environment. The supply of credit is particularly tight for loans that cannot be purchased by government-sponsored enterprises (GSEs). Nonprime mortgages (which include the subprime and alt-A categories) have all but disappeared from the market this year. Meanwhile, rates for prime-rate jumbo mortgages have risen substantially relative to conforming rates since midsummer, and the share of these loans in total prime-rate mortgage originations fell from 9 percent in July 2007 to 3½ percent in

Indicators of Single-Family Housing



Source: National Association of Realtors.



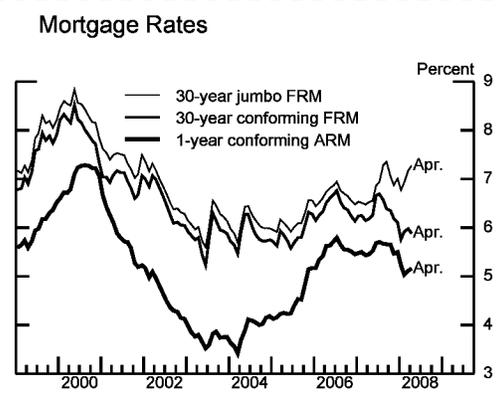
Note:
Source: for sales agreements, Census Bureau.

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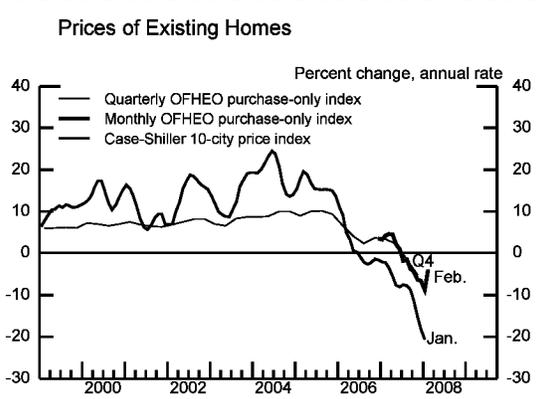


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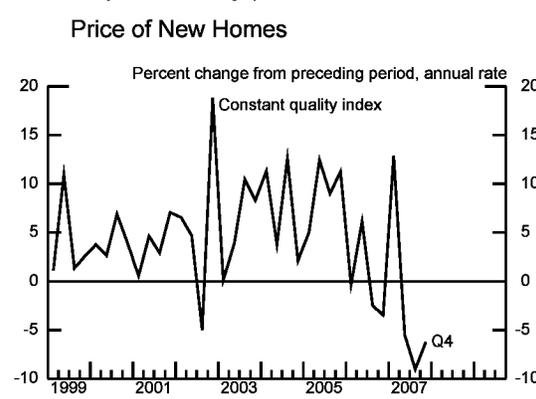
Note: supply is calculated using the 3-month moving average of sales.
Source: for months' supply, Census Bureau.



Note: The Apr. readings are for data through Apr. 16, 2008.
Source: Conforming rates are from Freddie Mac. The jumbo rate is the sum of the 30-year conforming FRM rate and the jumbo conforming spread from bankrate.com.



Note: The Case-Shiller and monthly OFHEO indexes are 3-month percent changes.
Source: For purchase-only indexes, OFHEO; for Case-Shiller, Chicago Mercantile Exchange.



Source: Census Bureau.

February 2008 (the latest available data).⁵ In contrast, rates for fixed-rate conforming loans are now about $\frac{3}{4}$ percentage point below their midsummer peaks and, at just under 6 percent, are quite low by historical standards. But these low rates are benefiting fewer buyers because the GSEs have tightened their standards for conforming loans and added extra fees for borrowers with lower credit scores and less collateral.

House prices have continued to fall. Despite an uptick in February, the new monthly version of the purchase-only repeat-sales price index calculated by the Office of Federal Housing Enterprise Oversight (OFHEO) decreased at an annual rate of 4 percent over the three months ending in February. The 10-city version of the Case-Shiller repeat-sales price index—which, unlike the OFHEO index, includes houses financed by nonconforming loans and is more heavily concentrated in urban areas that had seen greater appreciation in earlier years—fell at an annual rate of 21 percent over the three months ending in January. And the constant-quality price index for new homes fell at an annual rate of 6 percent in the fourth quarter. Although these lower prices may eventually help bolster housing demand, the most recent readings from the Reuters/Michigan house-price survey indicate that a growing percentage of respondents expect prices to fall further in the coming year, a consideration that may make buyers reluctant to purchase homes until prices show signs of stabilizing.

Equipment and Software

Real spending on equipment and software has decelerated in recent months after having posted a tepid increase in the fourth quarter of 2007. Shipments and orders of nondefense capital goods excluding aircraft were down in January and February, and investment more broadly remains under downward pressure from slowing aggregate demand and tightening credit conditions. On the whole, national and regional indicators of business conditions remain downbeat. In addition, corporate bond yields, though down in recent weeks, remain above levels prevailing at the end of last year—especially for high-yield issues—and the latest Senior Loan Officer Opinion Survey shows that banks continue to tighten both price and nonprice standards on business loans.

⁵ The stimulus bill enacted in February temporarily increased the conforming loan limit for a given city to 125 percent of the median house price for the highest-priced county in the city's metropolitan area, up to a maximum of \$729,750. In early April, Fannie Mae and Freddie Mac set up facilities to purchase these new jumbo conforming mortgages, and they appear ready to begin purchasing these loans from lenders soon. Early indications suggest that rates for these loans will be about 50 to 75 basis points above rates for conventional conforming loans. The stimulus bill also raised the limit on Federal Housing Administration (FHA) loans. However, the FHA's relatively strict underwriting standards will likely limit the number of households that will benefit from this change.

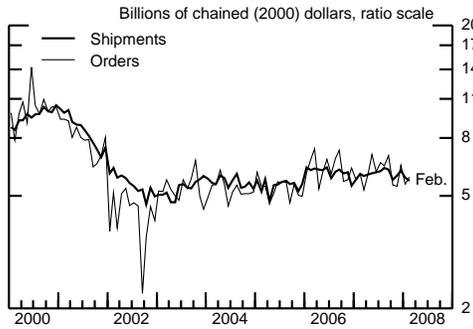
Orders and Shipments of Nondefense Capital Goods

(Percent change; seasonally adjusted current dollars)

Category	2007			2008	
	Q3	Q4	Dec.	Jan.	Feb.
	Annual rate			Monthly rate	
Shipments	9.4	2.8	1.4	1.6	-4.2
Excluding aircraft	6.1	4.9	1.6	-4	-1.9
Computers and peripherals	-15.2	36.6	3.6	-1.3	-3.3
Communications equipment	13.1	-16.9	4.0	-4.9	-1.7
All other categories	8.0	4.4	1.2	.2	-1.8
Orders	-1.5	6.6	5.4	-7.7	-.8
Excluding aircraft	3.4	-1.7	5.2	-1.0	-2.4
Computers and peripherals	.7	8.2	5.1	-13.2	10.1
Communications equipment	17.3	-42.1	18.5	-13.7	6.8
All other categories	2.4	2.5	4.0	1.7	-4.4
Memo: Shipments of complete aircraft ¹	44.9	46.7	43.6	53.9	48.7

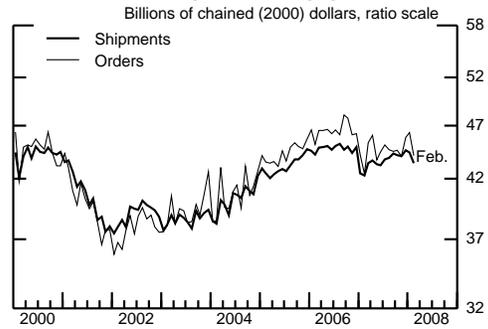
1. From Census Bureau, Current Industrial Reports; billions of dollars, annual rate.

Communications Equipment



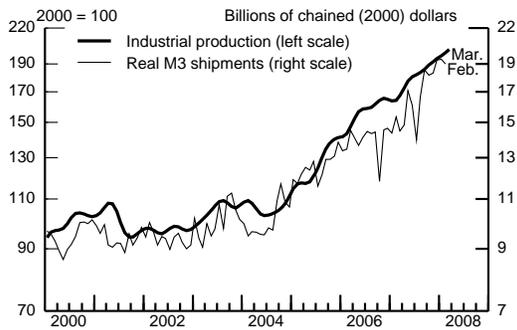
Note. Shipments and orders are deflated by a price index that is derived from the BEA's quality-adjusted price indexes and uses the PPI for communications equipment for monthly interpolation.

Non-High-Tech, Nontransportation Equipment



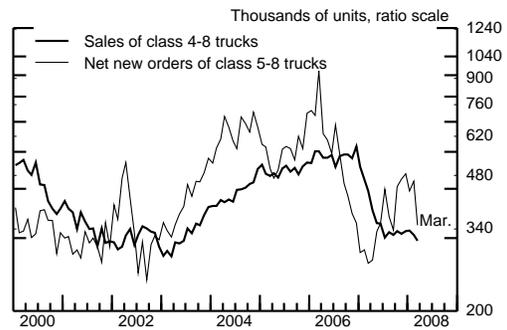
Note. Shipments and orders are deflated by the staff price indexes for the individual equipment types included in this category. Indexes are derived from the BEA's quality-adjusted price indexes.

Computers and Peripherals



Note. Ratio scales. Shipments are deflated by the staff price index for computers and peripheral equipment, which is derived from the BEA's quality-adjusted price indexes.

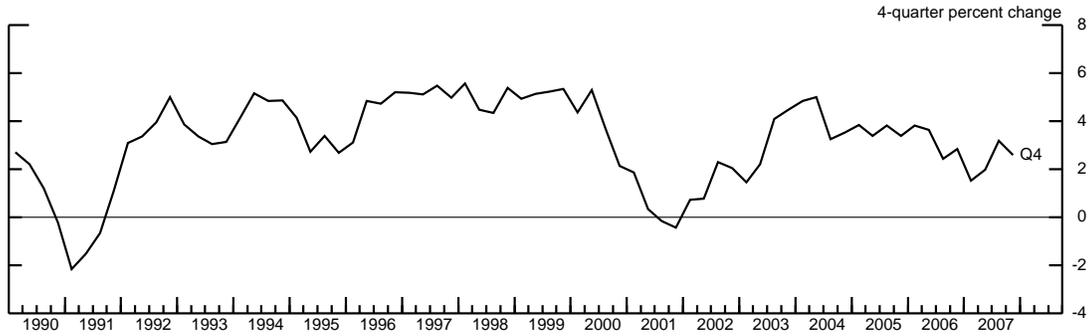
Medium and Heavy Trucks



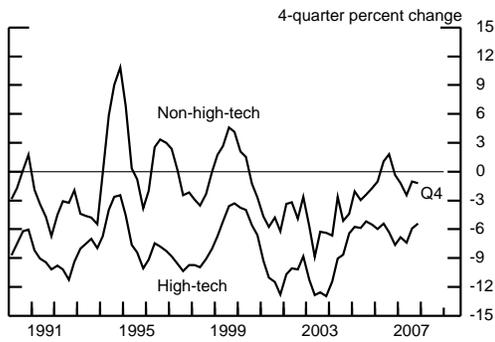
Note. Annual rate, FRB seasonals. Source. For sales, Ward's Communications; for orders, ACT Research.

Fundamentals of Equipment and Software Investment

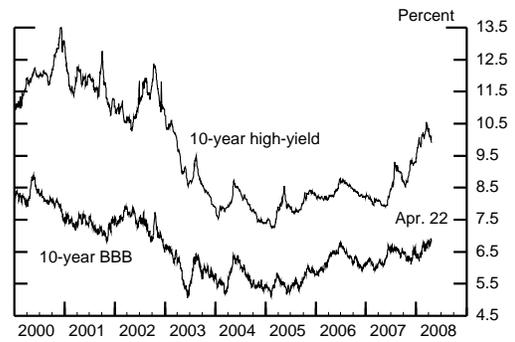
Real Business Output



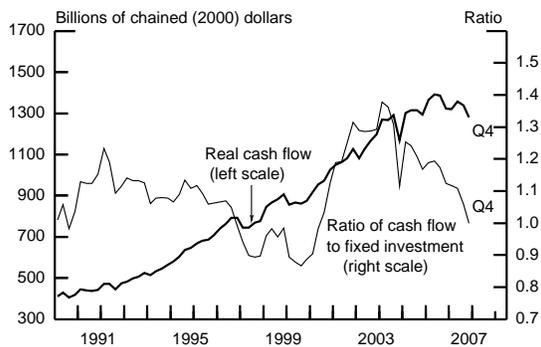
User Cost of Capital



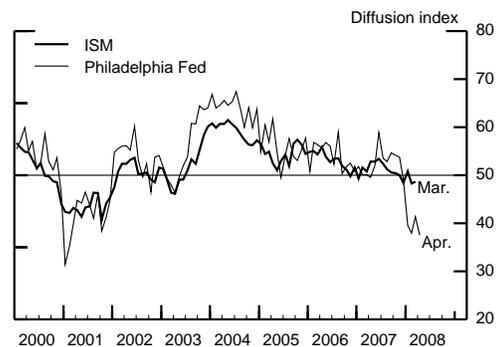
Corporate Bond Yields



Corporate Cash Flow



Surveys of Business Conditions



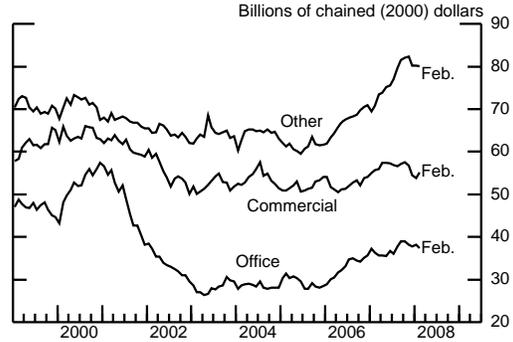
Nonresidential Construction and Indicators

(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

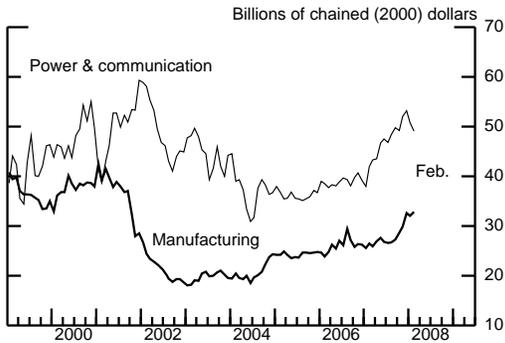


Office, Commercial, and Other

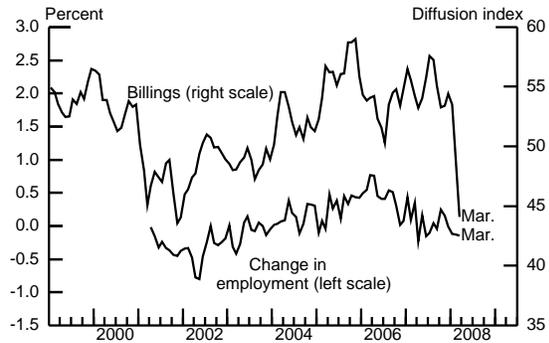


Note. Other consists of structures for religious organizations, education, lodging, amusement and recreation, transportation, and health care.

Manufacturing and Power & Communication

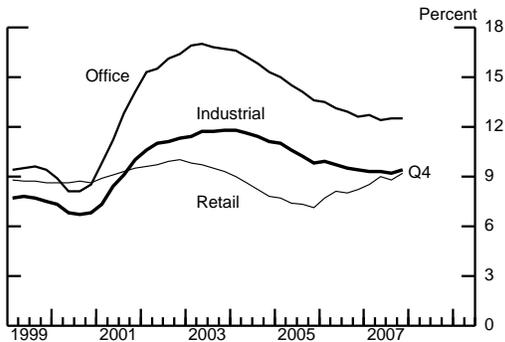


Architectural Billings and Nonresidential Construction Employment



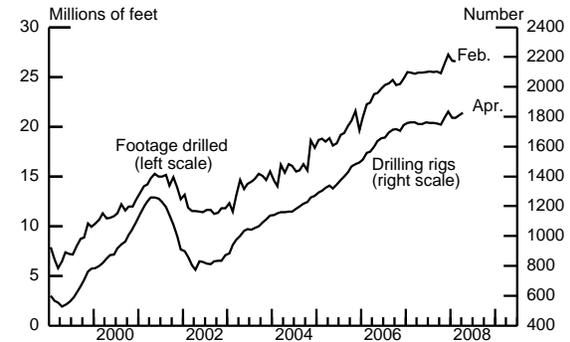
Note. Both series are 3-month moving averages. Employment consists of industrial, commercial, and specialty trade construction. Source. For billings, American Institute of Architects; for employment, Bureau of Labor Statistics.

Vacancy Rates



Note. Industrial space includes both manufacturing structures and warehouses. Source. Torto Wheaton Research.

Drilling and Mining Indicators



Note. The April readings for drilling rigs are based on data through April 18, 2008. Both series are seasonally adjusted by FRB staff. Source. DOE/Baker Hughes.

Some of the softness in equipment spending in early 2008 has been in outlays on light motor vehicles, which have been pulled down by cutbacks of deliveries to daily rental companies. In addition, sales of medium and heavy trucks (classes 4 through 8), which fell sharply over the course of 2007, remained depressed in the first quarter, and a drop in orders in recent months points to continued near-term weakness in sales. In contrast, shipments of complete aircraft to domestic purchasers appear to have picked up in early 2008 after a steep decline in the second half of 2007.

Real spending on high-tech equipment and software has also not exhibited much vigor of late. As noted above, industrial production of computers—the major input into the estimate of computer spending in the national income and product accounts (NIPA)—posted a relatively moderate gain in the first quarter, and real M3 shipments of computers declined, on net, in January and February. Orders and shipments of communications equipment also fell substantially, on net, over the first two months of 2008. Moreover, as mentioned above, the NABE survey conducted in the first quarter suggests that businesses have scaled back their plans for spending on high-tech equipment.

Real spending on equipment other than high-tech and transportation remained subdued in early 2008 after having slackened somewhat in late 2007. Still, the spending data through February for this broad category are not as soft as would be implied by the downbeat readings on business sentiment of late. To be sure, both orders and shipments fell a good bit in February, but some of this decline may have reflected a hiccup in foreign demand for these capital goods rather than a further slowing of domestic spending. Indeed, the February international trade data showed a drop in exports along with a jump in imports.

Nonresidential Construction

The recent monthly construction data suggest that spending on nonresidential buildings crested around the turn of the year after posting robust gains in 2006 and 2007. Moreover, demand for existing commercial properties has fallen off substantially from record levels last year, and prices appear to be decelerating. Although vacancy rates point to fairly balanced supply and demand conditions in the markets for office and industrial space, vacancy rates for retail space have been trending up for some time now, and anecdotal reports suggest that the supply of new projects in the pipeline may outpace demand in this sector. The three-month average of the architectural billings diffusion index—which is fairly well correlated with construction at a horizon of about two quarters—moved down sharply in March, pointing to considerable declines in nonresidential construction in the second half of the year.

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

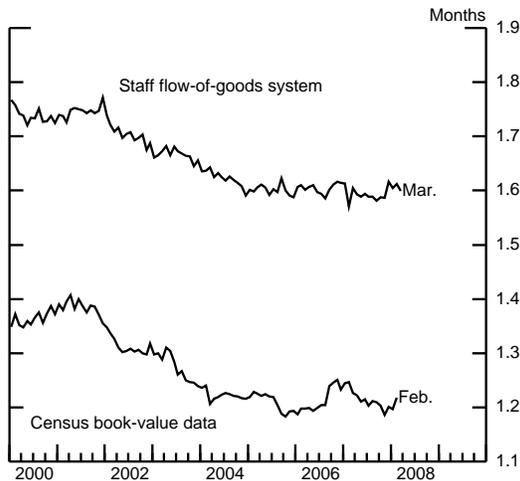
Measure and sector	2007				2008	
	Q2	Q3	Q4	Dec.	Jan.	Feb.
<i>Real inventory investment (chained 2000 dollars)</i>						
Total nonfarm business	1.3	26.0	-21.7	n.a.	n.a.	n.a.
Motor vehicles	-9.6	13.3	-25.7	n.a.	n.a.	n.a.
Nonfarm ex. motor vehicles	10.9	12.7	4.0	n.a.	n.a.	n.a.
Manufacturing and trade ex. wholesale and retail motor vehicles and parts	10.8	18.1	7.6	37.2	57.4^e	n.a.
Manufacturing	-4.2	3.1	8.5	15.6	40.2 ^e	n.a.
Wholesale trade ex. motor vehicles & parts	6.5	13.9	-8.8	-4.6	10.9 ^e	n.a.
Retail trade ex. motor vehicles & parts	8.5	1.1	7.9	26.2	6.3 ^e	n.a.
<i>Book-value inventory investment (current dollars)</i>						
Manufacturing and trade ex. wholesale and retail motor vehicles and parts	60.8	39.0	73.8	124.2	153.9	90.9
Manufacturing	21.6	12.6	36.3	54.9	81.7	34.1
Wholesale trade ex. motor vehicles & parts	20.7	22.0	23.0	35.5	62.5	52.2
Retail trade ex. motor vehicles & parts	18.4	4.3	14.5	33.7	9.8	4.5

n.a. Not available.

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

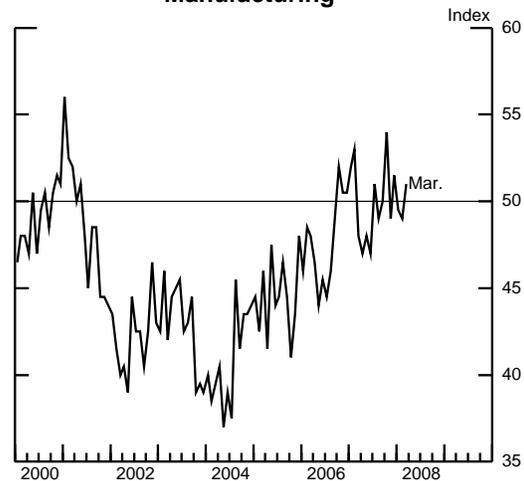
Source. For real inventory investment, BEA; for book-value data, Census Bureau.

Inventory Ratios ex. Motor Vehicles



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

ISM Customer Inventories: Manufacturing



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

The apparent deceleration in nonresidential construction is likely due, at least in part, to the difficult financing environment. Issuance of commercial mortgage-backed securities has slowed to a trickle in recent months, and the April Senior Loan Officer Opinion Survey indicated that about 80 percent of banks tightened lending standards in the first quarter—about the same as January’s record reading for this index. Anecdotes from general contractors also point to tighter credit conditions, especially for speculative projects.

Finally, data on drilling rigs in operation and on footage of new wells drilled suggest that real expenditures on drilling and mining structures in the early part of this year likely rose at a pace similar to the 6¾ percent annual rate realized in the fourth quarter of last year.

Business Inventories

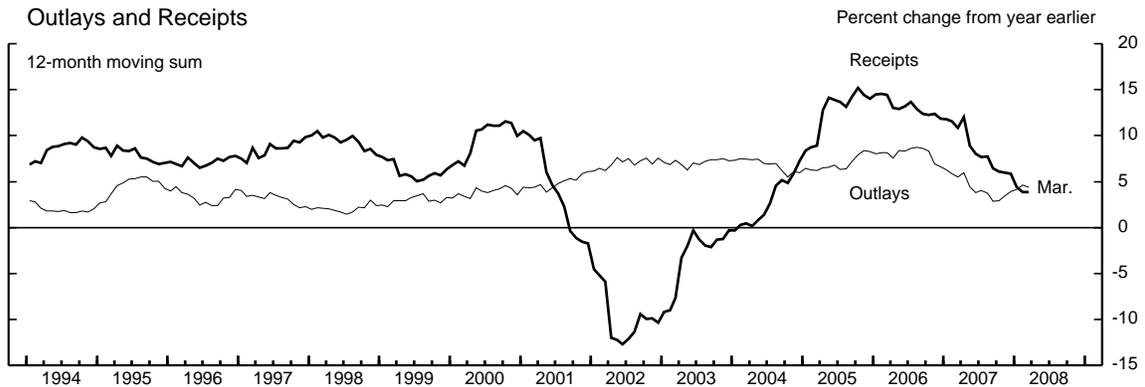
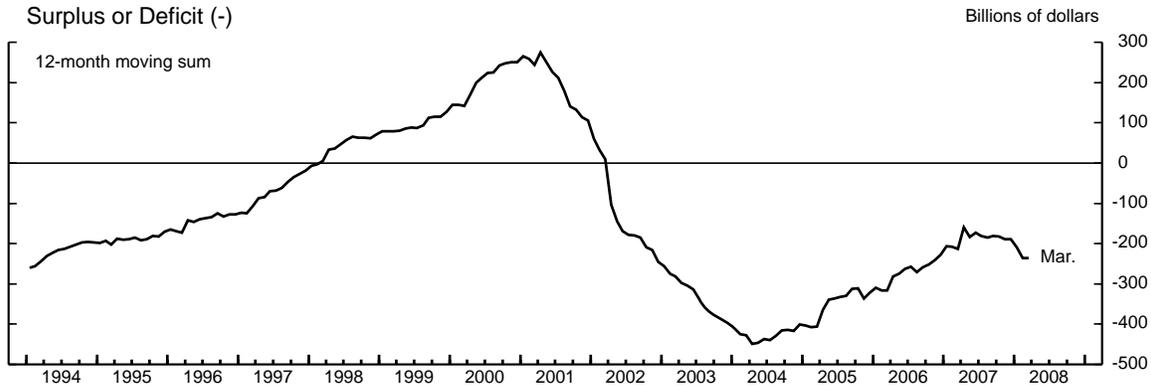
Real nonfarm inventory investment excluding motor vehicles dipped to an annual rate of just \$4 billion in the fourth quarter, but book-value data for the manufacturing and trade sector point to a modest rebound, on average, in January and February. Still, outside of categories tied to housing construction—namely, construction supplies and, to a lesser extent, materials—we continue to see little evidence that firms are burdened with excess stocks. Although the ratio of book-value inventories to sales (excluding motor vehicles) has inched up since the end of 2007, data from the staff’s flow-of-goods system suggest that months’ supply moved down in the first quarter after spurting in December. In addition, businesses surveyed by the ISM in March continued to report that, on the whole, their customers were reasonably satisfied with their level of stocks.

Federal Government Sector

Largely because of weakness in receipts, the federal budget deficit has continued to widen. Adjusted for payment-timing shifts and financial transactions, the unified budget deficit was \$215 billion during the three months ending in March, up from an adjusted deficit of \$169 billion recorded during the same period last year.

In total, tax receipts in the January to March period were about 1½ percent below their year-earlier level. Individual income and payroll taxes posted a meager 1¼ percent gain, while corporate tax receipts fell substantially. According to daily Treasury data, corporate receipts in April, which are mostly the first quarterly estimates on 2008 liabilities, appear to be about the same as collections last April. Nonwithheld individual income tax payments—which are largely net payments on 2007 liabilities—have come in slightly below the tax collections of this time last April. However, because final

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



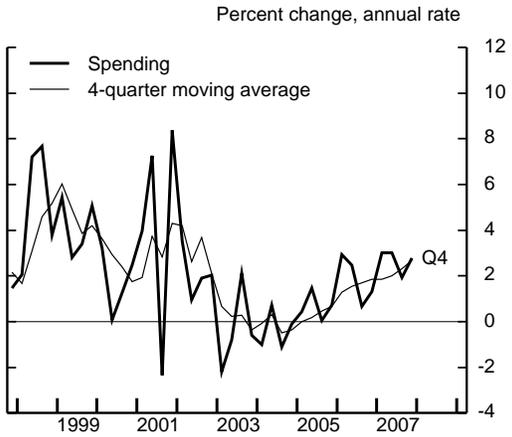
Recent Federal Outlays and Receipts
 (Billions of dollars except as noted)

Function or source	January-March			12 months ending in March		
	2007	2008	Percent change	2007	2008	Percent change
Outlays	715.9	755.2	5.5	2,709.6	2,828.9	4.4
Net interest	60.0	64.3	7.1	229.4	252.1	9.9
National defense	137.1	150.2	9.6	545.6	587.1	7.6
Major transfers ¹	413.0	430.7	4.3	1,474.6	1,554.0	5.4
Other	105.8	110.0	4.0	460.0	435.7	-5.3
Receipts	547.4	539.8	-1.4	2,496.0	2,592.8	3.9
Individual income and payroll taxes	446.3	452.0	1.3	1,905.3	2,023.9	6.2
Corporate income taxes	55.2	36.9	-33.1	377.6	345.7	-8.4
Other	46.0	50.9	10.7	213.0	223.2	4.8
Surplus or deficit (-)	-168.5	-215.4	...	-213.6	-236.1	...
Memo:						
Unadjusted surplus or deficit (-)	-178.0	-205.9	...	-203.7	-215.8	...

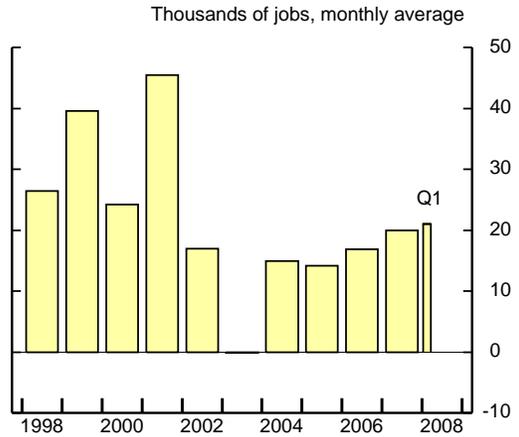
1. Includes Social Security, Medicare, Medicaid, and income security programs.
 ... Not applicable.

State and Local Indicators

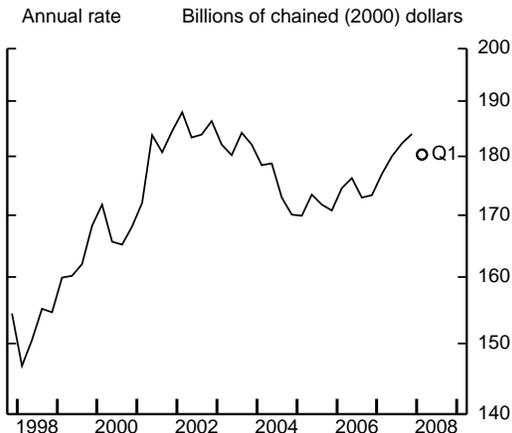
Real Spending on Consumption & Investment



Net Change in Employment

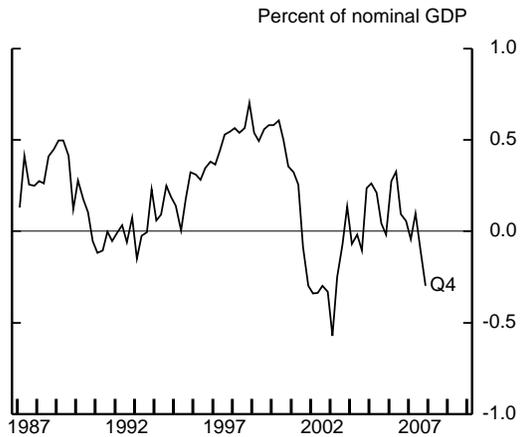


Real Construction

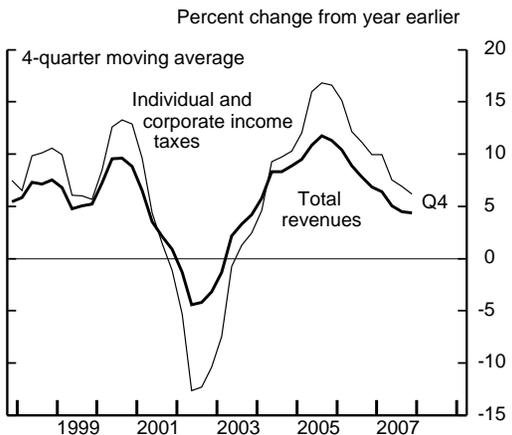


Note. Nominal CIP deflated by BEA prices through Q4 and by a staff projection thereafter. Observation for Q1 is the average for January and February.

Net Saving

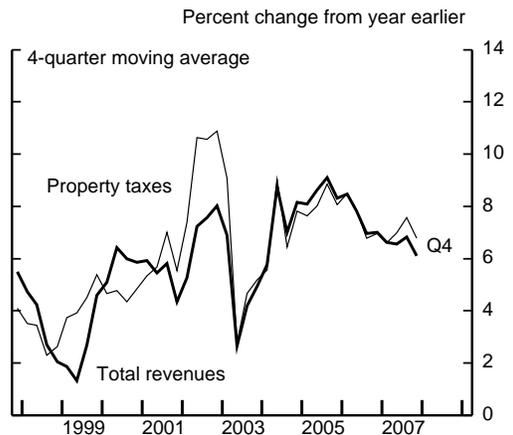


State Revenues



Source. Census Bureau.

Local Revenues



Source. Census Bureau.

Price Measures
(Percent change)

Measures	12-month change		3-month change		1-month change	
	Mar. 2007	Mar. 2008	Annual rate		Monthly rate	
			Dec. 2007	Mar. 2008	Feb. 2008	Mar. 2008
<i>CPI</i>						
Total	2.8	4.0	6.2	3.1	.0	.3
Food	3.3	4.5	2.6	5.3	.4	.2
Energy	4.4	17.0	45.6	8.6	-.5	1.9
Ex. food and energy	2.5	2.4	2.6	2.0	.0	.2
Core goods	-.3	.0	.7	-.1	-.1	-.1
Core services	3.6	3.3	3.4	2.9	.1	.2
Shelter	4.0	3.0	2.8	2.2	.0	.2
Other services	3.0	3.7	3.9	3.9	.1	.4
Chained CPI (n.s.a.) ¹	2.6	3.6	...	...	...	...
Ex. food and energy ¹	2.1	2.1	...	...	...	...
<i>PCE prices²</i>						
Total	2.5	3.2	4.8	2.9	.1	.3
Food and beverages	3.2	4.3	2.7	5.4	.4	.2
Energy	4.9	16.6	48.5	8.6	-.4	2.0
Ex. food and energy	2.3	2.1	2.4	2.0	.1	.2
Core goods	-.4	-.3	.7	.5	.0	-.1
Core services	3.4	3.0	3.0	2.6	.2	.3
Shelter	4.1	2.9	3.2	2.4	.1	.2
Other services	3.1	3.1	3.0	2.7	.2	.3
Core market-based	2.1	1.8	2.4	1.7	.1	.1
Core non-market-based	3.1	3.4	2.1	3.7	.2	.4
<i>PPI</i>						
Total finished goods	3.1	6.9	11.5	10.2	.3	1.1
Food	7.7	5.8	9.6	10.1	-.5	1.2
Energy	3.0	20.4	44.1	22.5	.8	2.9
Ex. food and energy	1.6	2.7	2.2	5.0	.5	.2
Core consumer goods	1.4	3.2	2.6	5.5	.6	.3
Capital equipment	1.8	2.0	1.6	4.3	.5	.1
Intermediate materials	3.3	10.5	14.5	19.4	.8	2.3
Ex. food and energy	3.2	5.5	4.6	10.7	.6	1.1
Crude materials	13.3	31.4	67.7	73.4	3.7	8.0
Ex. food and energy	24.9	16.8	10.1	52.6	3.3	3.5

1. Higher-frequency figures are not applicable for data that are not seasonally adjusted.

2. PCE prices in March 2008 are staff estimates.

... Not applicable.

payments will continue to be recorded through early May, it is still too soon to make a reliable comparison with last year's individual tax filing season.

Outlays in the January to March period, adjusted for payment-timing shifts and financial transactions, rose 5½ percent from the year-earlier comparable period. Defense spending increased 9½ percent and net interest payments rose 7 percent; major transfers and other outlays moved up more modestly. Relative to the fourth quarter of 2007, however, the rise in defense spending was less pronounced and suggests only a small pickup in real defense purchases as measured in the NIPA in the first quarter.

State and Local Government Sector

Real purchases by state and local governments appear to have decelerated sharply in the first quarter after having posted a hefty increase in 2007. The deceleration was concentrated in construction expenditures, which fell steeply in December and remained subdued in January and February. Although the construction series can be quite volatile, some slowing in construction activity after the rapid increase in 2007 seems consistent with the tighter fiscal conditions facing many states and localities. Meanwhile, state and local employment rose 21,000 per month, on average, in the first quarter, approximately the same pace as in 2007.

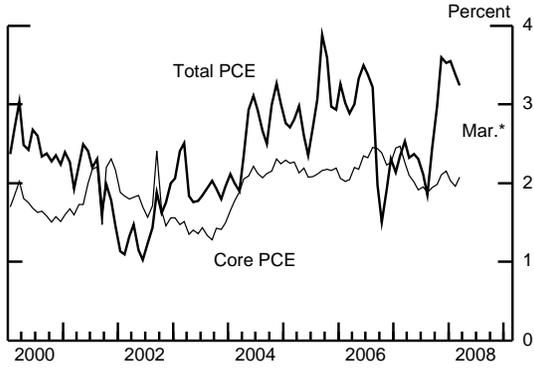
The Census Bureau's *Quarterly Summary of State and Local Government Tax Revenue* indicates that state tax revenues during the year ending in December were 4½ percent above their year-earlier level, about the same as for the year ending in September. The recent increases in state revenues are substantially below those recorded a few years ago, and press reports suggest that at least a few states, including California and Florida, expect to face significant budgetary stress in the 2009 fiscal year (which begins on July 1 in most states) as revenue growth is projected to slow further. At the local level, growth in property tax revenue ticked down in the fourth quarter of 2007 but remained relatively strong, as the downturn in housing prices has not yet translated into a significant slowdown in these revenues.

Prices

Boosted by large increases in food and energy prices, headline consumer prices continued to increase faster than core consumer prices over the first three months of 2008 but not as quickly as they did late last year. On the basis of information from the consumer price index and other sources, we estimate that overall prices for personal consumption expenditures (PCE) increased 0.3 percent in March, a rise that brought the 12-month change through March to 3.2 percent, up from 2.5 percent for the preceding 12 months.

Consumer Prices (12-month change except as noted)

PCE Prices



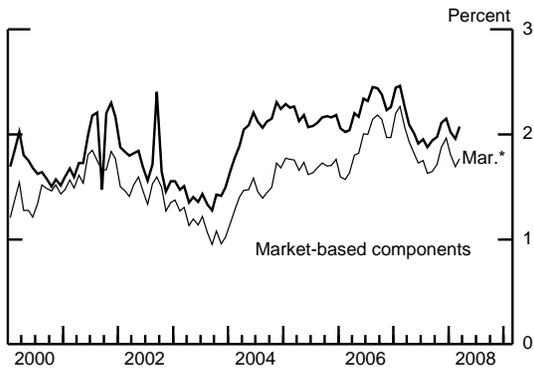
* Staff estimate.

CPI and PCE ex. Food and Energy



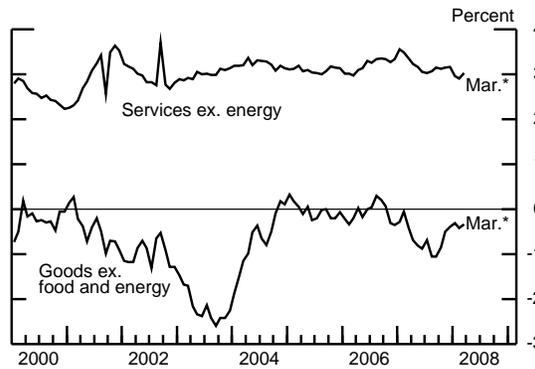
* PCE for March is a staff estimate.

PCE excluding Food and Energy



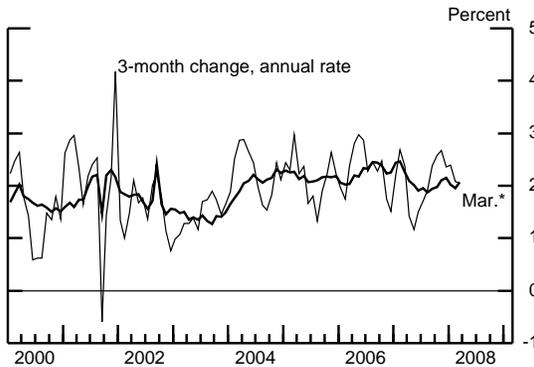
* Staff estimate.

PCE Goods and Services



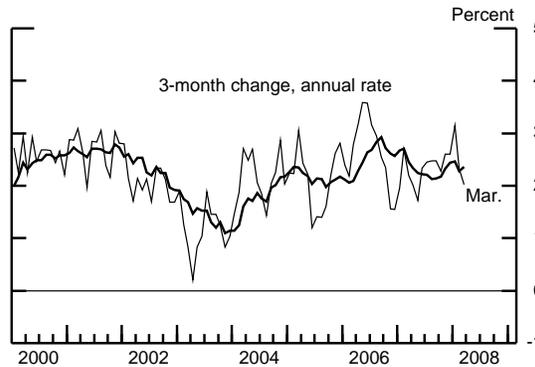
* Staff estimate.

PCE excluding Food and Energy



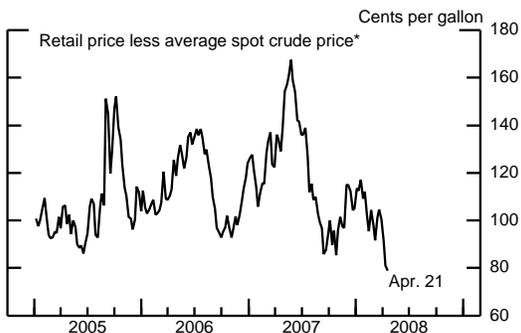
* Staff estimate.

CPI excluding Food and Energy



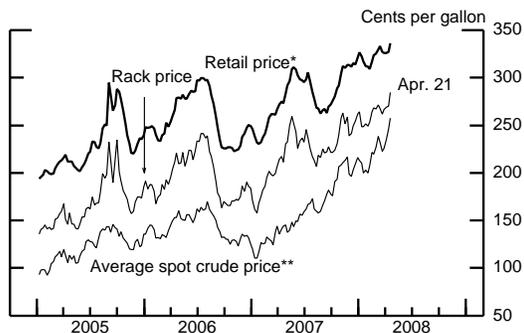
Energy and Food Price Indicators (Data from Energy Information Administration except as noted)

Total Gasoline Margin



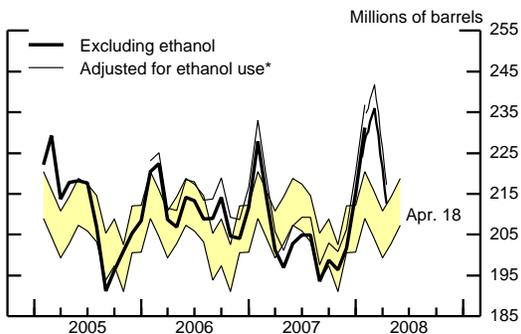
* Regular grade seasonally adjusted by FRB staff, less average spot crude price: 60% WTI, 40% Maya heavy crude.

Gasoline Price Decomposition



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

Gasoline Inventories



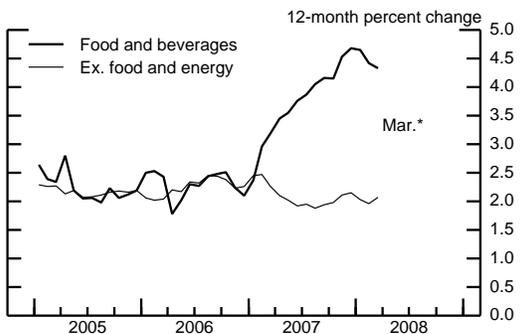
Note. Shaded region is average historical range as calculated by DOE. Monthly data through January 2008, weekly data thereafter, as indicated by line weights.
* Adjustment for approximate amount of fuel ethanol to be blended with RBOB component of inventories; estimated by FRB staff.

Ethanol Prices



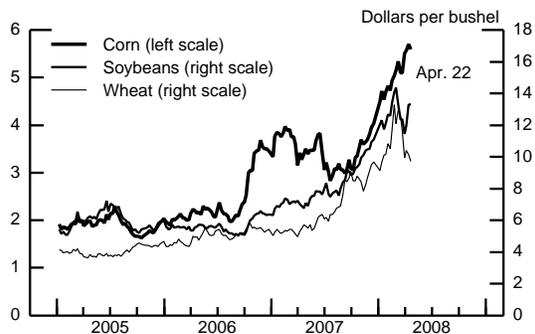
Source: Chicago Board of Trade.

PCE Food Prices



*Staff estimate.
Source: Bureau of Economic Analysis.

Spot Agricultural Commodity Prices



Source: Commodity Research Bureau.

Broad Measures of Inflation

(Percent change, Q4 to Q4)

Measure	2004	2005	2006	2007
<i>Product prices</i>				
GDP price index	3.2	3.4	2.7	2.6
Less food and energy	3.2	3.3	2.9	2.2
Nonfarm business chain price index	3.2	3.5	2.2	1.8
<i>Expenditure prices</i>				
Gross domestic purchases price index	3.7	3.8	2.4	3.3
Less food and energy	3.1	3.1	2.8	2.2
PCE price index	3.1	3.2	1.9	3.4
Less food and energy	2.2	2.2	2.3	2.1
PCE price index, market-based components	2.8	3.0	1.6	3.4
Less food and energy	1.6	1.7	2.0	1.9
CPI	3.4	3.8	1.9	4.0
Less food and energy	2.1	2.1	2.7	2.3
Chained CPI	3.1	3.2	1.7	3.6
Less food and energy	2.1	1.8	2.3	2.0
Median CPI	2.3	2.7	3.1	3.1
Trimmed mean CPI	2.3	2.6	2.7	2.8
Trimmed mean PCE	2.4	2.5	2.7	2.4

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		
2006:Q2	4.0	4.5	3.5	3.6	3.1	2.5	...
Q3	3.3	4.0	3.4	3.3	3.0	2.5	...
Q4	1.9	3.5	3.0	3.5	3.0	2.5	...
2007:Q1	2.4	3.6	3.0	3.4	2.9	2.4	2.0
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
2007:Dec.	4.1	4.4	3.4	3.5	3.1	...	...
2008:Jan.	4.3	4.0	3.4	3.4	3.0	...	...
Feb.	4.0	3.9	3.6	3.4	3.0	2.5	2.2
Mar.	4.0	4.6	4.3	3.2	2.9	...	...
Apr.	n.a.	5.6	4.8	3.4	3.1	...	...

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 compiled by the Federal Reserve Bank of Philadelphia.

... Not applicable.

n.a. Not available.

We estimate that core PCE prices increased 0.2 percent in March after rising just 0.1 percent in February. Smoothing through the volatility in the recent data, the three-month change in core PCE prices has receded some since November and stood at an annual rate of 2.0 percent in March. This step-down largely reflects a swing in medical services prices, which have been nearly flat recently after an earlier period of large increases. Over the 12 months ending in March, core PCE prices increased 2.1 percent, 0.2 percentage point less than over the preceding 12 months.

PCE energy prices changed little, on average, during January and February; we estimate that they moved up 2 percent in March and stood 16½ percent above their year-earlier level. Current survey data suggest that retail gasoline prices have increased moderately in April. Since the increase has fallen short of the surge in crude oil prices, refiners' margins have been squeezed. In response, they have cut back on production, and inventories have fallen back toward seasonal norms.⁶ With margins tight, producers have very little cushion to absorb further increases in the price of crude oil.

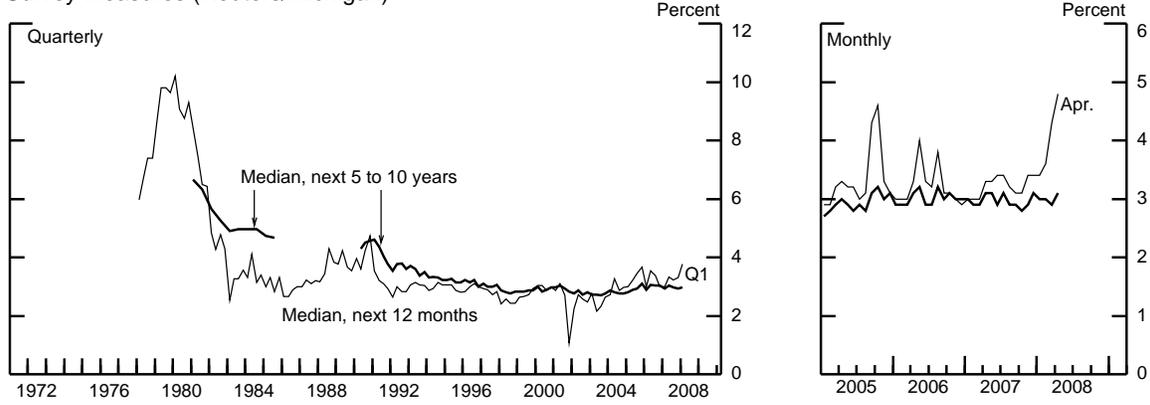
After advancing quickly in January and February, food prices rose at a more moderate pace in March. Nevertheless, the 12-month change through March stood at 4¼ percent, about 1 percentage point higher than the increase over the preceding 12 months. Spot prices for corn, wheat, and soybeans have been volatile recently after rising markedly over the past year. Since the March Greenbook, wheat prices have decreased 25 percent after surging at the beginning of the year, while corn prices have continued to climb higher. These relative movements may reflect, in part, the release of the U.S. Department of Agriculture's annual *Prospective Plantings* report, which showed that farmers are likely to plant less corn and more soybeans and wheat this year than they did in 2007.

Measures of near-term inflation expectations have risen sharply: According to the Reuters/Michigan survey, median expectations for year-ahead inflation moved up from 3.4 percent in December to 4.8 percent in early April, the highest reading since 1990. Longer-term expectations as measured by the Reuters/Michigan measure of median inflation expectations over the next 5 to 10 years edged back up in April to 3.1 percent; the April reading reversed the downtick over the preceding few months and brought the series close to the top of the narrow range seen over the past few years. In contrast, measures of inflation compensation derived from Treasury inflation-protected securities have moved down since the March Greenbook—the five-year measure has edged down about 0.1 percentage point and the five-year, five-year-ahead measure has decreased

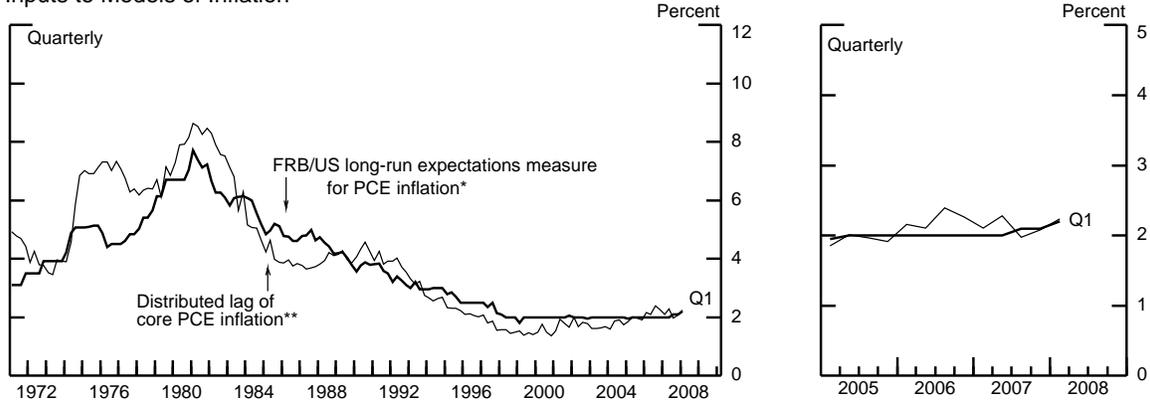
⁶ Some of the drop in inventories likely also reflects a runoff of gasoline stocks before the June 1 switch to summer blends.

Measures of Expected Inflation

Survey Measures (Reuters/Michigan)



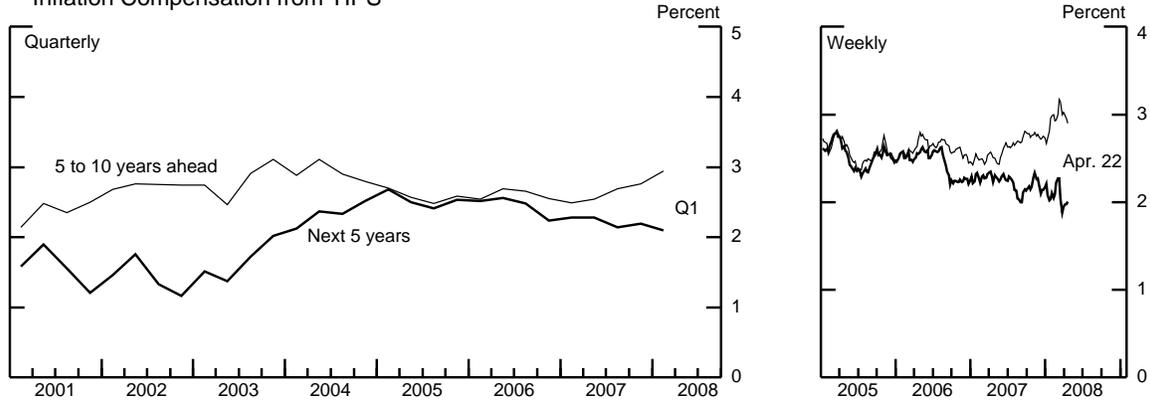
Inputs to Models of Inflation



*For 2007 forward, the median projection for PCE inflation over the next 10 years from the Survey of Professional Forecasters (SPF); for 1991 to 2006, the equivalent SPF projection for the CPI; for 1981 to 1991, a related survey for the CPI conducted by Richard Hoyer; 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.

**Derived from one of the reduced-form Phillips curves used by Board staff.

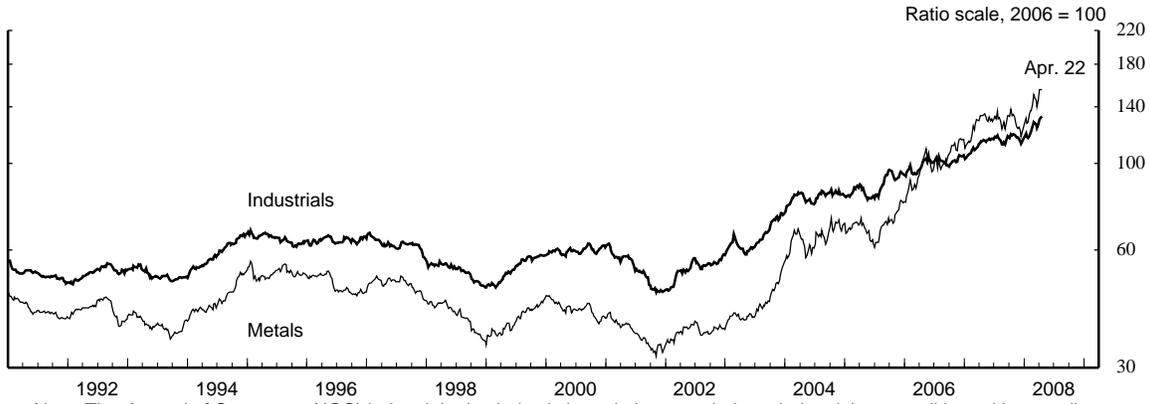
Inflation Compensation from TIPS



Note. Based on a comparison of an estimated TIPS yield curve with an estimated nominal off-the-run Treasury yield curve, with an adjustment for the indexation-lag effect.

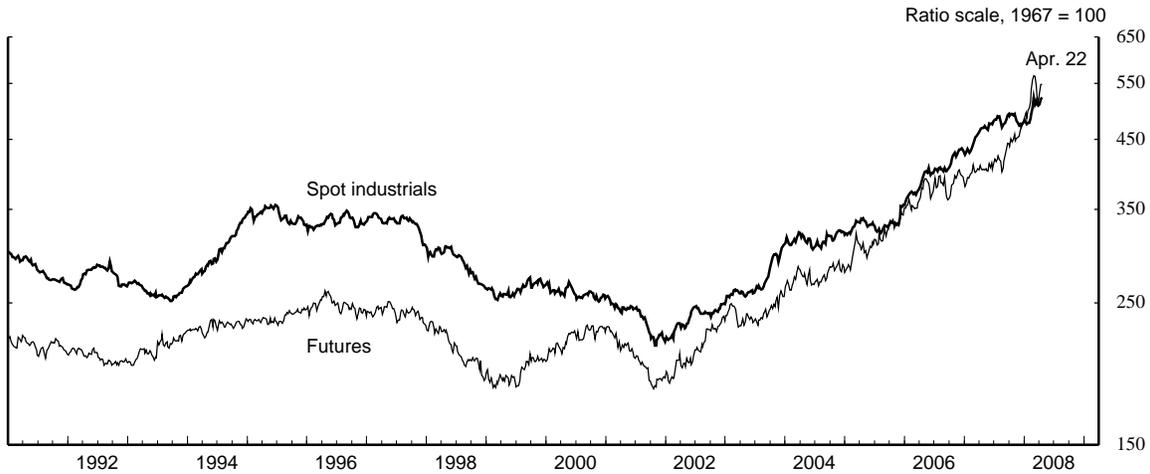
Commodity Price Indexes

Journal of Commerce



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 *Journal of Commerce* data is held by CIBCR, 1994.

Commodity Research Bureau



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	2007 ¹	12/18/07 to 3/11/08 ²	3/11/08 ² to 4/22/08	52-week change to 4/22/08
JOC industrials	7.6	12.8	4.3	15.6
JOC metals	2.1	25.1	5.5	16.5
CRB spot industrials	8.2	8.2	2.4	11.5
CRB spot foodstuffs	25.5	17.0	.3	32.6
CRB futures	18.2	20.8	-2.7	36.3

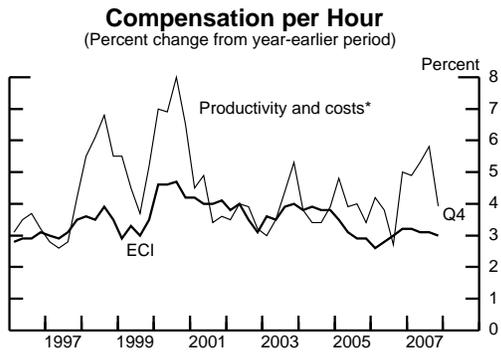
1. From the last week of the preceding year to the last week of the year indicated.
2. March 11, 2008, is the Tuesday preceding publication of the March Greenbook.

Hourly Compensation and Unit Labor Costs

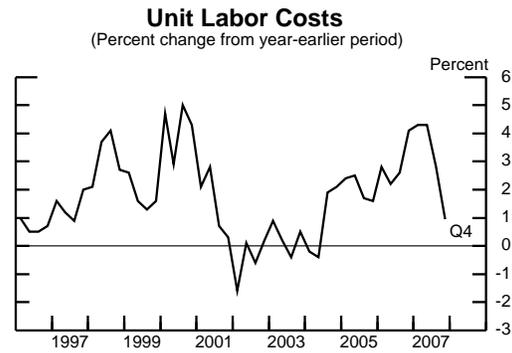
(Percent change from preceding period at compound annual rate; based on seasonally adjusted data)

Category	2005:Q4 to 2006:Q4	2006:Q4 to 2007:Q4 ^e	2007			
			Q1	Q2	Q3	Q4 ^e
<i>Compensation per hour</i> Nonfarm business	5.0	3.9	6.4	1.3	3.4	4.7
<i>Unit labor costs</i> Nonfarm business	4.1	.9	5.4	-1.3	-2.7	2.7

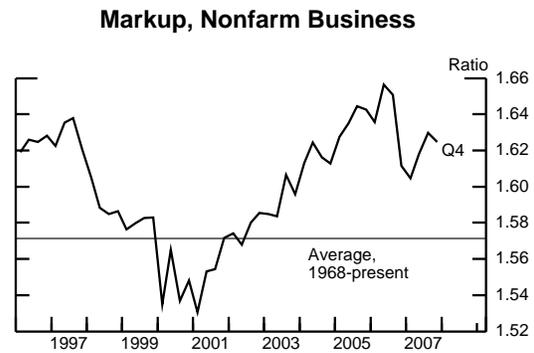
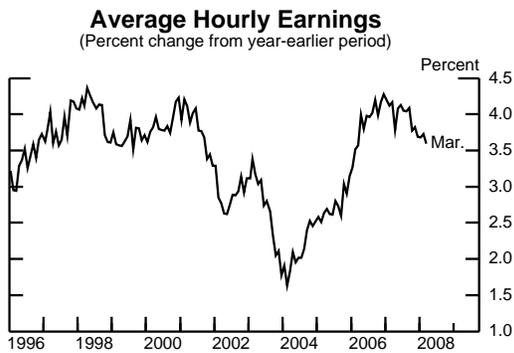
e Staff estimate.



* Value for 2007:Q4 is a staff estimate.



Note. Value for 2007:Q4 is a staff estimate.



Note. The markup is the ratio of output price to unit labor costs. Value for 2007:Q4 is a staff estimate.

about 0.4 percentage point. Even so, the median expectation over the next 5 to 10 years, at 2.8 percent, is still about 0.1 percentage point above its level at the end of December, whereas the five-year measure now stands at 2.1 percent, a bit below its level at the end of the year.

The producer price index for core intermediate materials rose 1.1 percent in March, bringing the three-month change to an annual rate of 11 percent. Over the past few months, price increases have been concentrated in metals and in energy-intensive categories (such as chemicals, plastics, and paints). The string of recent advances pushed the 12-month change in March to 5½ percent, more than 2 percentage points higher than over the preceding 12 months.

Commodity price changes have been mixed recently, but prices remain well above levels of a year ago. Since the March Greenbook, metals prices have varied; notable within the metals categories is the price of steel scrap, which jumped 38 percent, largely because of strong foreign demand and the strike-induced shutdowns of several General Motors plants, a significant supplier of steel scrap. On balance, the *Journal of Commerce's* index of industrial materials has increased 4¼ percent since the March Greenbook; the Commodity Research Bureau's spot index of industrial materials, which excludes energy products, is up 2½ percent.

Labor Costs

Average hourly earnings increased 0.3 percent in March. Over the past 12 months, this measure has risen 3½ percent, more than ½ percentage point below the rise over the preceding 12 months.

Domestic Financial Developments

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

Instrument	2006	2007	2008		Change to Apr. 22 from selected dates (percentage points)		
	June 29	Sept. 17	Mar. 17	Apr. 22	2006 June 29	2007 Sept. 17	2008 Mar. 17
<i>Short-term</i>							
FOMC intended federal funds rate	5.25	5.25	3.00	2.25	-3.00	-3.00	-.75
Treasury bills ¹							
3-month	4.88	4.05	1.09	1.26	-3.62	-2.79	.17
6-month	5.06	4.15	1.28	1.61	-3.45	-2.54	.33
Commercial paper (A1/P1 rates) ²							
1-month	5.27	5.23	2.41	2.59	-2.68	-2.64	.18
3-month	5.37	5.25	2.50	2.76	-2.61	-2.49	.26
Large negotiable CDs ¹							
3-month	5.47	5.52	2.63	2.96	-2.51	-2.56	.33
6-month	5.59	5.36	2.45	3.02	-2.57	-2.34	.57
Eurodollar deposits ³							
1-month	5.33	5.55	2.60	3.00	-2.33	-2.55	.40
3-month	5.49	5.60	2.55	3.10	-2.39	-2.50	.55
Bank prime rate	8.25	8.25	6.00	5.25	-3.00	-3.00	-.75
<i>Intermediate- and long-term</i>							
U.S. Treasury ⁴							
2-year	5.26	4.12	1.36	2.16	-3.10	-1.96	.80
5-year	5.15	4.18	2.20	2.98	-2.17	-1.20	.78
10-year	5.28	4.58	3.58	3.94	-1.34	-.64	.36
U.S. Treasury indexed notes ⁵							
5-year	2.51	2.04	.39	.90	-1.61	-1.14	.51
10-year	2.61	2.15	1.20	1.55	-1.06	-.60	.35
Municipal general obligations (Bond Buyer) ⁶	4.71	4.46	4.94	4.62	-.09	.16	-.32
Private instruments							
10-year swap	5.81	5.17	4.02	4.34	-1.47	-.83	.32
10-year FNMA ⁷	5.59	5.01	4.43	4.43	-1.16	-.58	.00
10-year AA ⁸	6.20	6.05	6.04	5.95	-.25	-.10	-.09
10-year BBB ⁸	6.74	6.46	6.61	6.82	.08	.36	.21
10-year high yield ⁸	8.74	8.95	10.54	9.90	1.16	.95	-.64
Home mortgages (FHLMC survey rate) ⁹							
30-year fixed	6.78	6.34	5.87	5.88	-.90	-.46	.01
1-year adjustable	5.82	5.65	5.15	5.10	-.72	-.55	-.05

Stock exchange index	Record high		2007	2008		Change to Apr. 22 from selected dates (percent)		
	Level	Date	Sept. 17	Mar. 17	Apr. 22	Record high	2007 Sept. 17	2008 Mar. 17
Dow Jones Industrial	14,165	10-9-07	13,403	11,972	12,720	-10.20	-5.10	6.25
S&P 500 Composite	1,565	10-9-07	1,477	1,277	1,376	-12.09	-6.82	7.78
Nasdaq	5,049	3-10-00	2,582	2,177	2,377	-52.92	-7.93	9.18
Russell 2000	856	7-13-07	776	650	704	-17.77	-9.29	8.18
Wilshire 5000	15,807	10-9-07	14,839	12,828	13,863	-12.29	-6.58	8.07

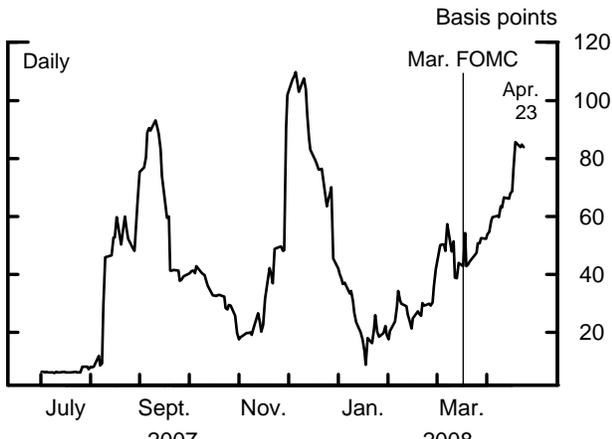
1. Secondary market.
2. Financial commercial paper.
3. Bid rates for Eurodollar deposits collected around 9:30 a.m. eastern time.
4. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
5. Derived from a smoothed Treasury yield curve estimated using all outstanding securities 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.
9. Home mortgage rates for April 22, 2008, are for the week ending April 17, 2008.

NOTES:

June 29, 2006, is the day the most recent policy tightening ended.
September 17, 2007, is the day before the most recent policy easing began.
March 17, 2008, is the day before the most recent FOMC monetary policy announcement.

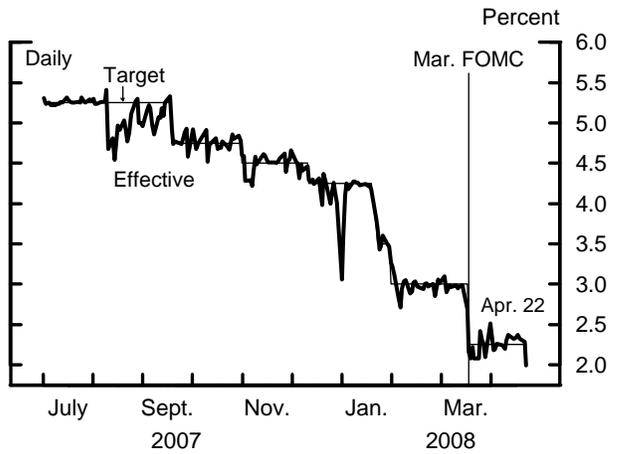
III-C-1
Short-Term Funding and Interbank Markets

Spread between 30-Day Libor and OIS Rates

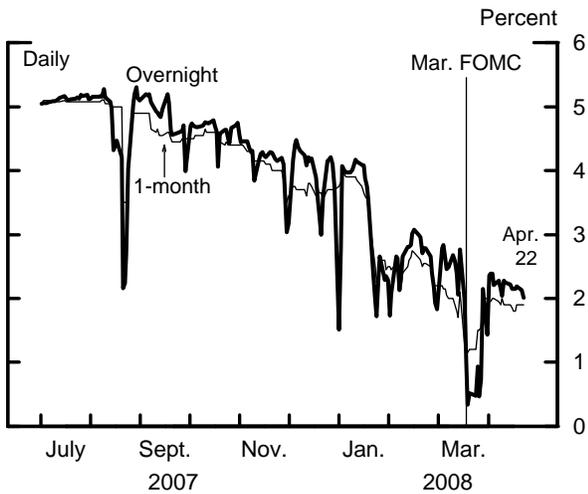


Note. Libor quotes are taken at 6:00 a.m., and OIS quotes are observed at the close of business of the previous trading day.

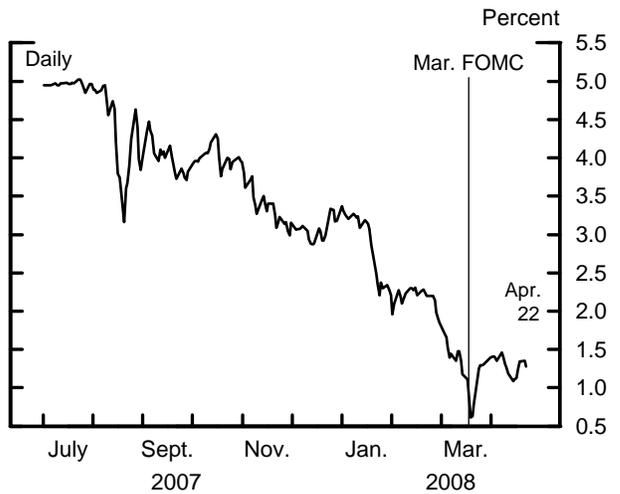
Federal Funds Rates



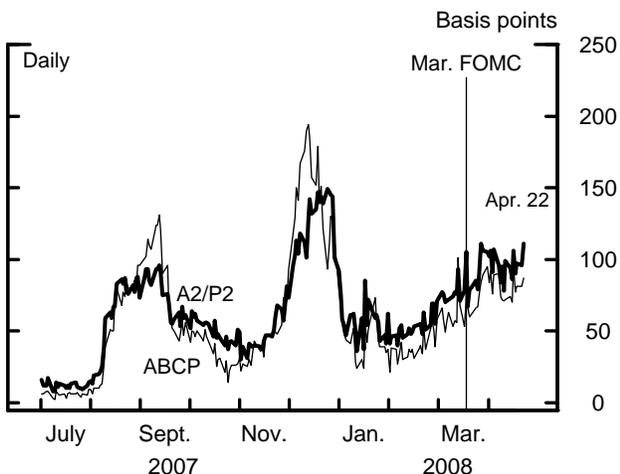
Treasury Repo Rates for General Collateral



3-Month Treasury Bill Rate

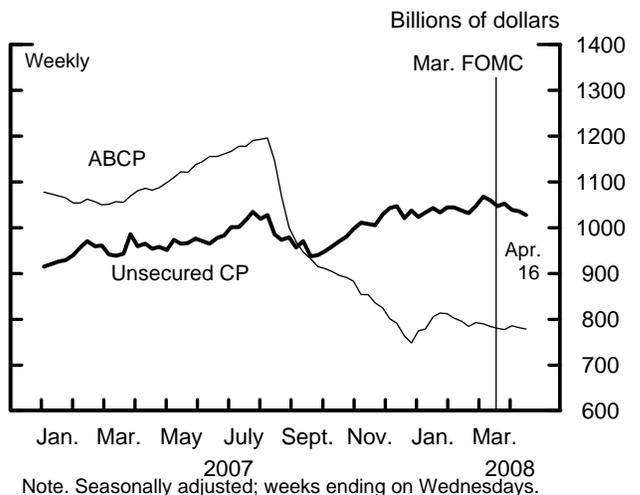


Spreads on 30-Day Commercial Paper



Note. The ABCP spread is the AA ABCP rate minus the AA nonfinancial rate. The A2/P2 spread is the A2/P2 nonfinancial rate minus the AA nonfinancial rate.

Commercial Paper Outstandings



Note. Seasonally adjusted; weeks ending on Wednesdays.

Domestic Financial Developments

Overview

Conditions in financial markets improved somewhat, on balance, over the intermeeting period, as investors apparently became less concerned about a severe deepening of the ongoing financial difficulties. The improved sentiment was supported by the Federal Reserve's continued efforts to bolster market liquidity and by news about large financial institutions that was seen as reducing the odds of possible failures. Investors marked up the expected path of policy notably, and the onset of a gradual policy tightening is now anticipated late this year. Treasury yields rose with policy expectations and also on some reduction in the demand for safe-haven assets; the largest increase was concentrated at the front end of the yield curve. Over the intermeeting period, inflation compensation over the next five years remained below the average level between the January and March FOMC meetings. The five-year-forward measure of inflation compensation moved lower. Equity prices posted sizable gains over the intermeeting period, and corporate credit spreads decreased, particularly for speculative-grade and financial firms. Nevertheless, indicators of risk and volatility remain elevated across most asset classes. With further losses on securities and household loans, pressures on bank balance sheets continued to mount, contributing to intensified strains in some short-term funding markets and to additional tightening of bank lending standards across all types of loans.

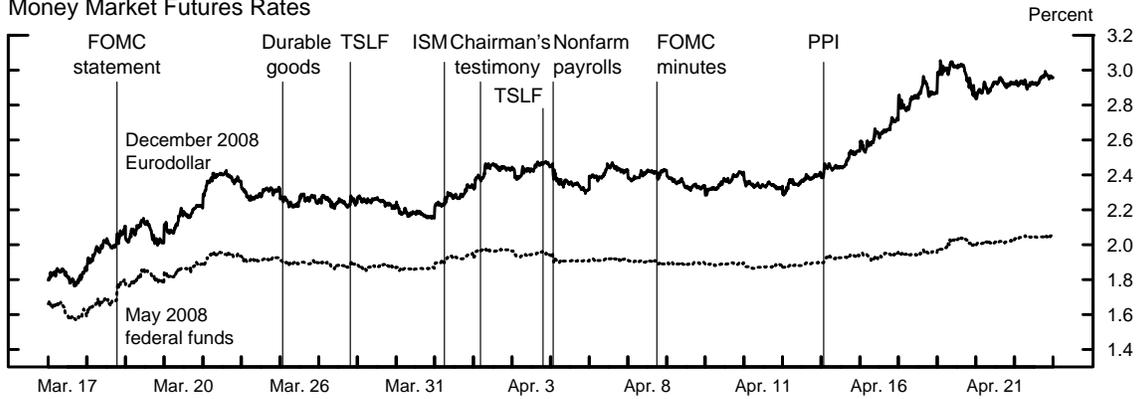
Money Market Functioning

Over the intermeeting period, strains increased further in some short-term funding markets. Amid heightened bank funding pressures, spreads of Libor rates over comparable-maturity overnight index swap (OIS) rates widened significantly. Primary credit borrowing picked up noticeably after March 16, when the spread between the primary credit rate and the target federal funds rate was lowered to 25 basis points. Outsized demand for bank funding pushed stop-out rates on the ninth and tenth auctions conducted through the Term Auction Facility up to or above term Libor rates and considerably above the primary credit rate. The Primary Dealer Credit Facility—established on March 16 to provide overnight funding to primary dealers in exchange for a range of collateral including investment-grade securities—drew substantial initial demand, although the amount outstanding declined somewhat over the period.

In commercial paper markets, spreads of rates on 30-day AA-rated financial paper over rates on AA-rated nonfinancial paper shot up to record levels, while spreads on both A2/P2 nonfinancial paper and asset-backed commercial paper were volatile and elevated. Even among programs that have been paying elevated spreads, low short-term interest rates have kept yields toward the bottom of their range of the past few years.

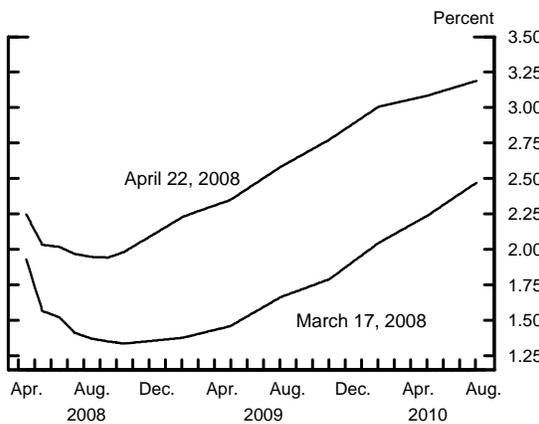
Policy Expectations and Treasury Yields

Money Market Futures Rates



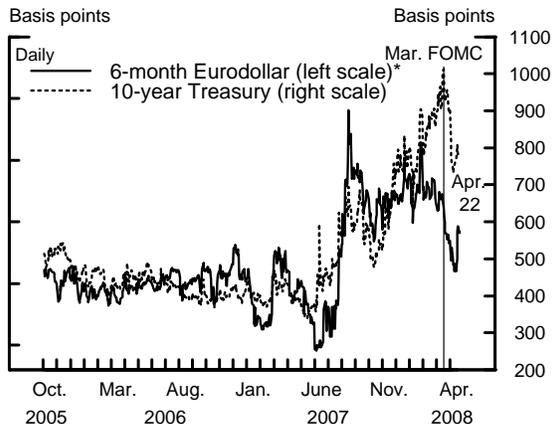
Note. 5-minute intervals. 8:00 a.m. to 4:00 p.m. No adjustments for term premiums.

Implied Federal Funds Rate



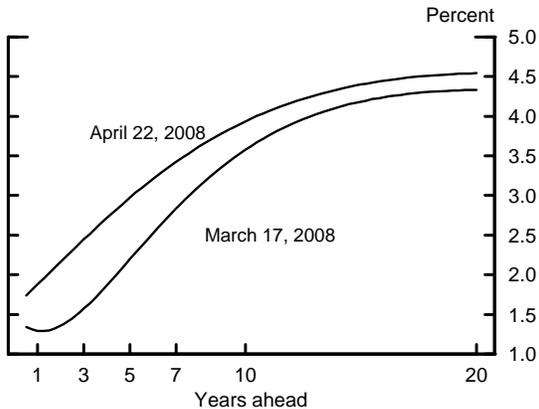
Note. Estimated from federal funds and Eurodollar futures, with an allowance for term premiums and other adjustments.

Implied Volatility of Interest Rates



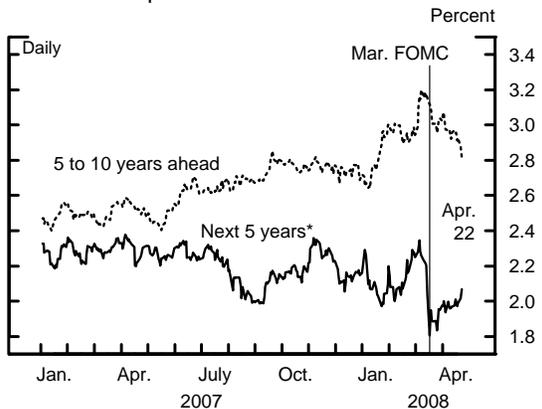
*Width of a 90 percent confidence interval computed from the term structures for the expected federal funds rate and implied volatility.

Treasury Yield Curve



Note. Smoothed yield curve estimated from off-the-run Treasury coupon securities. Yields shown are those on notional par Treasury securities with semiannual coupons.

Inflation Compensation



Note. Estimates based on smoothed nominal and inflation-indexed Treasury yields.

*Adjusted for lagged indexation of TIPS.

Early in the intermeeting period, strong demand for safe-haven assets was reflected in historically low rates for general collateral (GC) Treasury repo and Treasury bills, and both markets were under considerable strain. Conditions in those markets have improved significantly, evidently in response to Federal Reserve actions that increased the availability of Treasury securities. In four separate auctions conducted through the Term Securities Lending Facility (TSLF), the Federal Reserve offered a total of \$150 billion of Treasury securities in exchange for less-liquid assets. Treasury GC rates moved back in line with other short-term interest rates, and their spreads below mortgage-backed security (MBS) repo rates decreased. Yields on Treasury bills also recovered, and their spreads below comparable-maturity OIS rates narrowed substantially. Nevertheless, haircuts on non-Treasury collateral remain elevated and in some cases have increased a little in recent weeks.

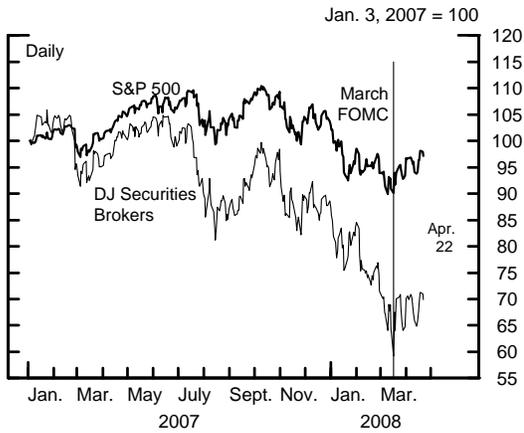
Policy Expectations and Treasury Yields

The expected path for the federal funds rate moved up significantly, on net, over the intermeeting period. The 75 basis points of policy easing at the March FOMC meeting was somewhat less than investors had expected, and market participants reportedly also revised up their expectations on the basis of the FOMC statement, including the news of two dissenting votes; overall, the statement conveyed more concern about inflation than investors had anticipated. The Chairman's testimony on April 2 was associated with a further small upward shift in the expected policy path. Incoming economic data were mixed but on net contributed to the rise in policy expectations, as did a number of announcements by large financial institutions that investors interpreted as pointing toward more-favorable prospects for such firms.

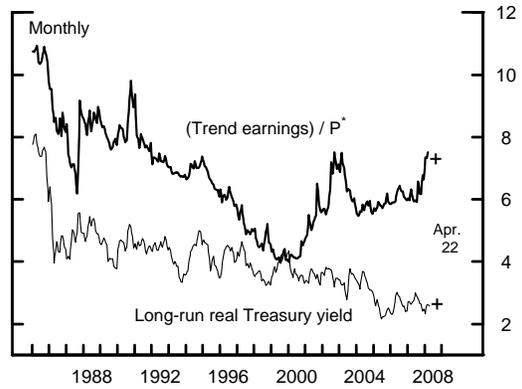
Options on federal funds futures indicate that market participants now see about a 70 percent probability of a 25 basis point cut at the upcoming FOMC meeting, about 25 percent odds of no policy change, and low odds of a 50 basis point cut. Investors expect the funds rate to bottom out at about 2 percent this summer, and they anticipate that the target will rise gradually in 2009 and 2010. The April survey of primary dealers, on the other hand, suggests that economists expect the target rate to bottom out at about 1½ percent in the first part of 2009. Over the intermeeting period, the implied distribution of the federal funds rate six months ahead became significantly less skewed to the downside, and implied uncertainty about the near-term policy path decreased considerably.

Corporate Yields, Risk Spreads, and Stock Prices

Selected Stock Price Indexes



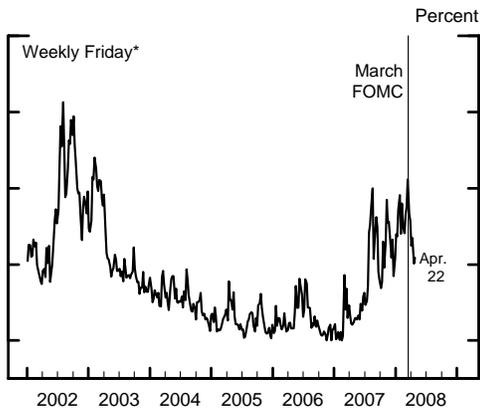
Ratio of Trend Earnings to Price for S&P 500 and Long-Run Treasury Yield



* Trend earnings are estimated using analysts' forecasts of year-ahead earnings from I/B/E/S.

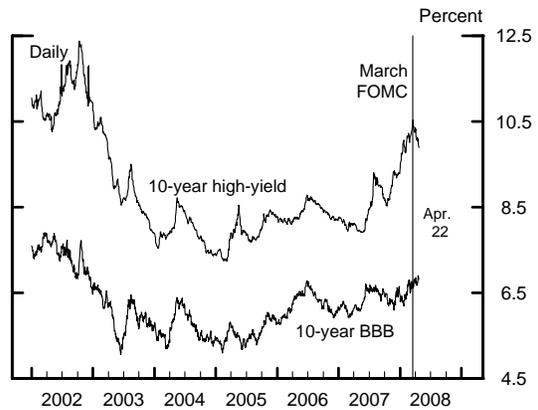
+ Denotes the latest observation using daily interest rates and stock prices and latest earnings data from I/B/E/S.

Implied Volatility on S&P 500 (VIX)



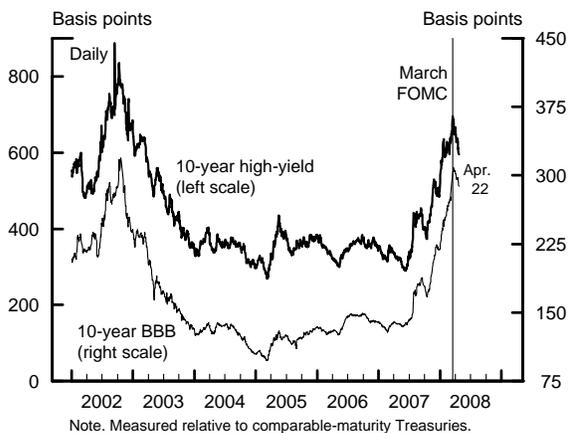
* Latest observation is for most recent business day.

Corporate Bond Yields



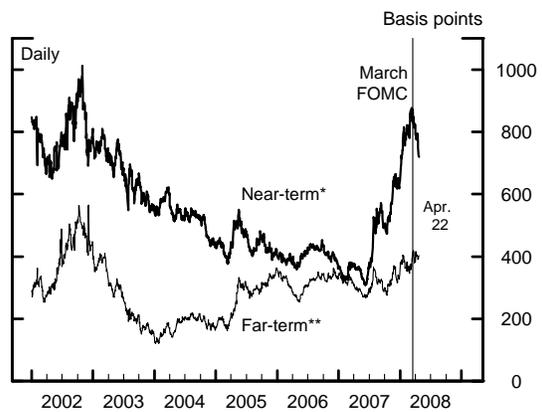
Note. Yields from smoothed yield curves based on Merrill Lynch bond data.

Corporate Bond Spreads



Note. Measured relative to comparable-maturity Treasuries.

Forward Credit Spreads on Spec.-Grade Bonds



* Forward spread between years 2 and 3.

** Forward spread between years 9 and 10.

Source. Staff estimates.

Yields on Treasury coupon securities rose sharply over the intermeeting period, with 2-year and 10-year yields climbing about 80 and 40 basis points, respectively, increases that were consistent with both the higher expected path for policy and an easing of safe-haven demand. At the 5-year horizon, TIPS-based inflation compensation was particularly volatile in the days around the March FOMC meeting, as investors sought the comparative liquidity of nominal Treasury securities. Since the March meeting, 5-year inflation compensation increased about 25 basis points, but smoothing through the recent volatility, 5-year inflation compensation is still in the lower portion of its range of the past several months. Over the intermeeting period, inflation compensation 5 to 10 years ahead declined 30 basis points, returning to about the middle of its recent range.

Stock Prices and Corporate Interest Rates

Broad stock price indexes increased about 8 percent, on net, over the intermeeting period, more than reversing the sharp decline recorded between the January and March FOMC meetings. Much of the rise came in response to earnings and recapitalization announcements from financial institutions, which investors read as trimming the odds of severe difficulties among major financial firms. Gains were widespread across sectors, but securities brokers outperformed the broader market. The spread between the 12-month-forward trend earnings-to-price ratio for all firms in the S&P 500 and a real long-term Treasury yield—a rough gauge of the equity risk premium—remained at the upper end of its range over the past two decades. Option-implied volatility on the S&P 500 index came down over the intermeeting period but continued to be elevated.

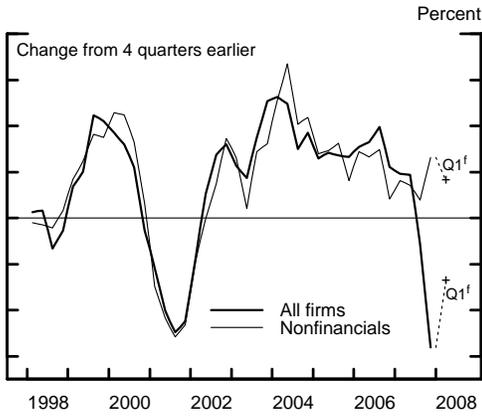
Yields on BBB-rated corporate bonds rose a bit less than those on comparable-maturity Treasury securities, while those on speculative-grade bonds fell. As a result, spreads on BBB-rated bonds decreased 15 basis points from their recent multiyear highs, and spreads on speculative-grade bonds dropped 100 basis points. For speculative-grade bonds, near-term forward spreads fell much more than far-term forward spreads, an indication of an easing of concerns about the outlook for corporate credit quality over the next few years. Measures of secondary-market functioning for corporate bonds also improved notably over the intermeeting period. Although issuance remained weak, secondary-market prices of leveraged syndicated loans continued to rebound from their February lows, and bid-asked spreads narrowed somewhat.

Corporate Earnings and Credit Quality

According to the approximately 200 reports in hand for the first quarter and analysts' forecasts for the rest, operating earnings per share for S&P 500 firms are estimated to

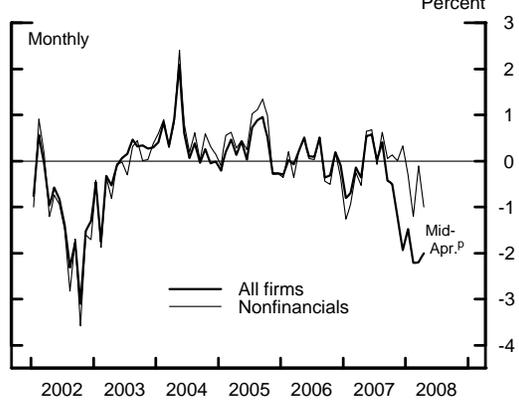
Corporate Earnings and Credit Quality

S&P 500 Earnings Per Share



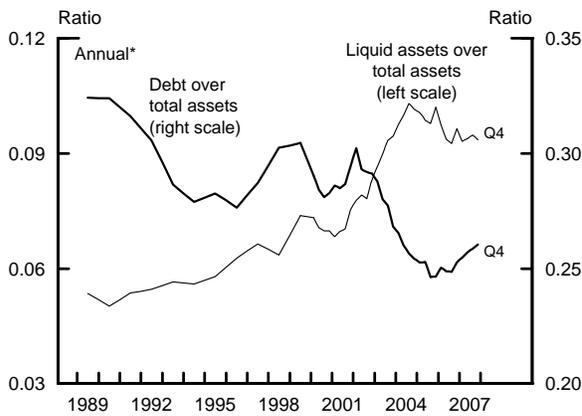
f Forecast.
Source: I/B/E/S for S&P 500 earnings per share.

Revisions to Expected S&P 500 Earnings



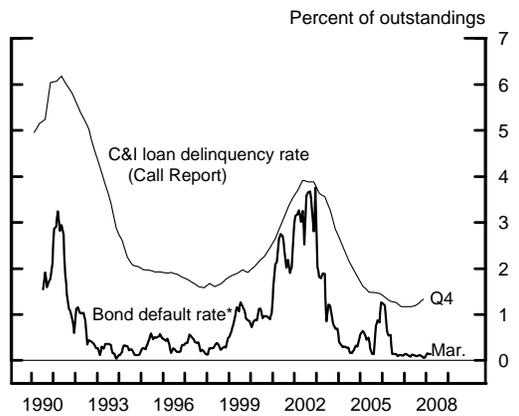
Note: Index is a weighted average of the percent change in the consensus forecasts of current-year and following-year EPS for a fixed sample.
p April number is preliminary.

Financial Ratios for Nonfinancial Corporations



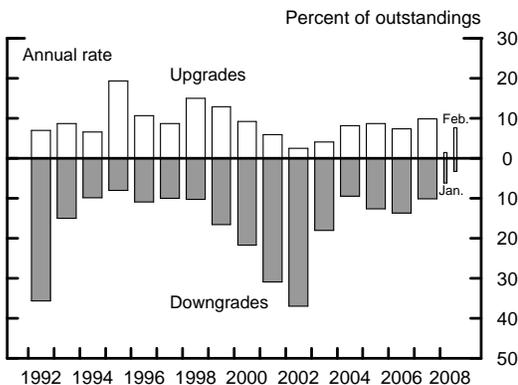
* Data are quarterly starting in 2000:Q1.
Source: Calculated with Compustat data.

Selected Default and Delinquency Rates



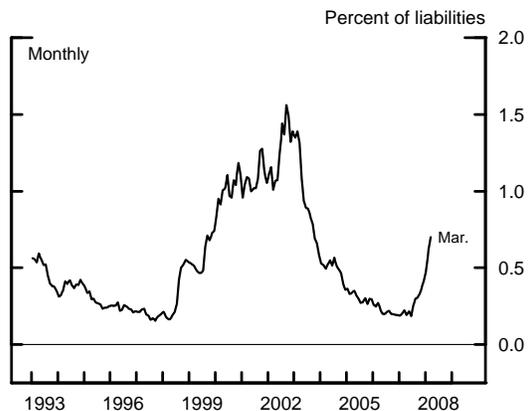
* 6-month moving average, from Moody's Investors Service.

Bond Ratings Changes of Nonfinancial Companies



Source: Calculated with 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: Moody's KMV.

Business Finance

Gross Issuance of Securities by U.S. Corporations

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

Type of security	2004	2005	2006	2007	2008			
					Jan.	Feb.	Mar.	Apr. ^P
<i>Nonfinancial corporations</i>								
Stocks ¹	5.4	4.6	4.7	5.5	2.0	3.1	21.5	2.5
Initial public offerings	1.6	1.7	1.8	1.6	.6	.1	19.7	1.0
Seasoned offerings	3.8	2.8	2.9	3.8	1.3	3.0	1.8	1.5
Bonds ²	22.7	19.1	29.8	35.6	28.3	22.6	36.9	36.0
Investment grade	8.2	8.4	13.0	17.2	24.8	19.0	28.1	28.0
Speculative grade	9.7	6.4	8.0	10.3	1.0	.8	3.2	4.0
Other (sold abroad/unrated)	4.9	4.3	8.8	8.2	2.5	2.7	5.6	4.0
<i>Memo</i>								
Net issuance of commercial paper ³	1.5	-.4	3.9	-.4	9.9	6.6	-3.6	4.4
Change in C&I loans at commercial banks ^{3,4}	2.4	9.6	11.6	20.9	12.8	12.4	21.7	-1.0
<i>Financial corporations</i>								
Stocks ¹	6.9	5.0	5.3	8.6	25.1	9.1	5.1	11.0
Bonds ²	139.3	176.3	187.7	156.0	93.0	44.3	33.4	48.0

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

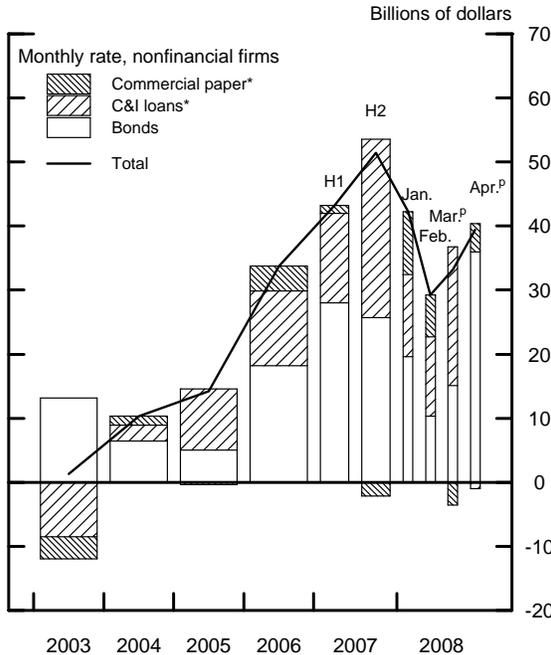
1. Excludes private placements and equity-for-equity swaps that occur in restructurings.

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.

4. Based on adjusted commercial bank credit data through April 9th.

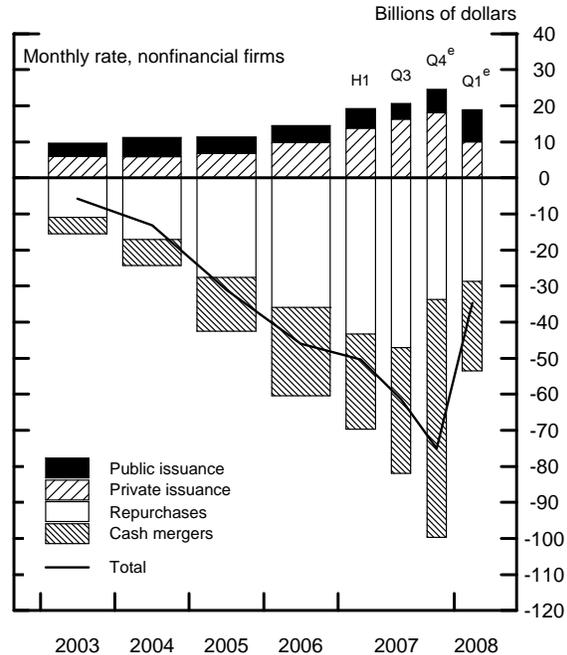
Selected Components of Net Debt Financing



* Seasonally adjusted, period-end basis.

p Preliminary.

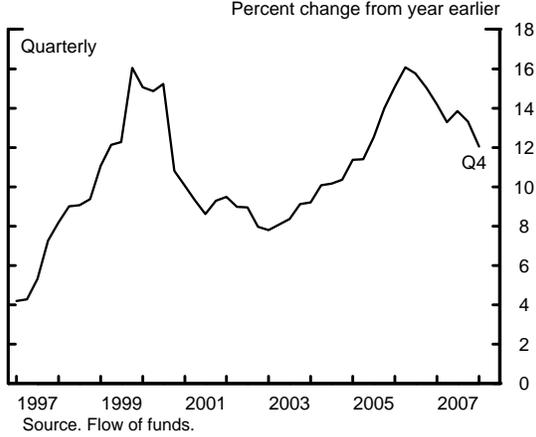
Components of Net Equity Issuance



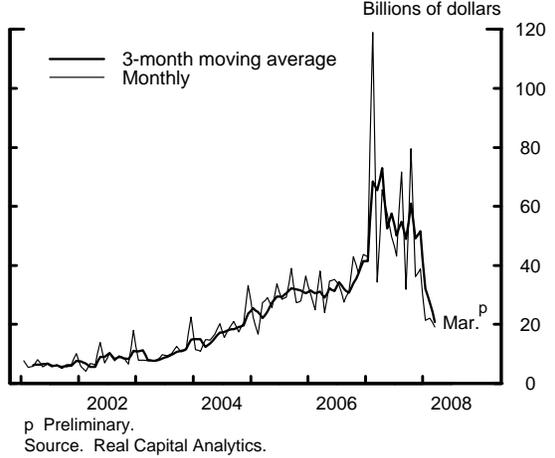
e Staff estimate.

Commercial Real Estate

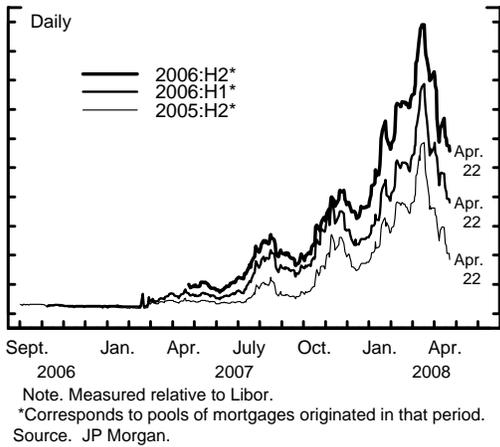
Commercial Mortgage Debt



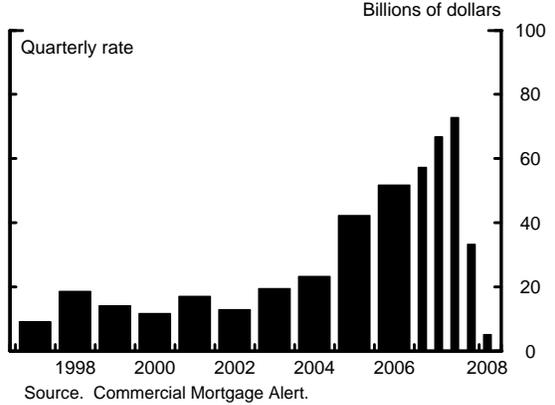
Sales of Commercial Real Estate



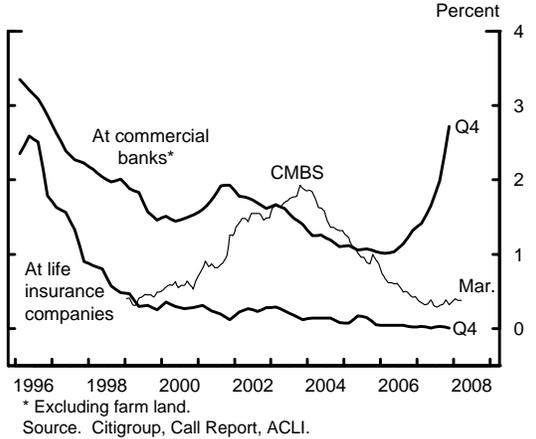
BBB Commercial Mortgage CDS Index Spreads



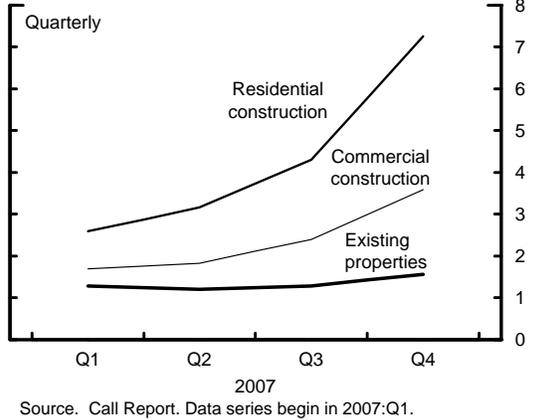
CMBS Issuance



Delinquency Rates on Commercial Mortgages



Delinquency Rates on Commercial Mortgages at Banks



have fallen 14 percent relative to year-earlier levels. The decline resulted from a large drop in financial sector earnings, reflecting additional write-downs of troubled assets. In contrast, earnings per share for nonfinancial firms are estimated to have increased 8 percent over the past year. Estimated earnings for financial firms over the year ahead were revised down noticeably in March, but the corresponding estimates for nonfinancial firms were little changed.

The data indicate that nonfinancial corporations ended 2007 with solid balance sheets. The aggregate ratio of liquid assets to total assets remained high by historical standards, and the aggregate leverage ratio only edged up from a low level. In February, there were few ratings changes for corporate bonds, and in March the realized six-month default rate on corporate bonds stayed close to zero. However, the KMV forecast of the aggregate year-ahead default rate, climbed to its highest level in several years.

Business Finance

Gross bond issuance by nonfinancial firms was robust in March and the first half of April. The vast majority of issuance was by investment-grade firms, although speculative-grade issuance, which had been low early in the year, picked up a bit. Nonfinancial commercial paper outstanding edged down in March but moved back up in April. Commercial and industrial (C&I) loans from banks jumped in March, as some borrowers reportedly tapped existing low-cost bank lines of credit, but outstandings were about flat in early April. On balance, net debt financing through commercial paper, bonds, and bank C&I loans was solid through mid-April, albeit well below the pace over the second half of last year.

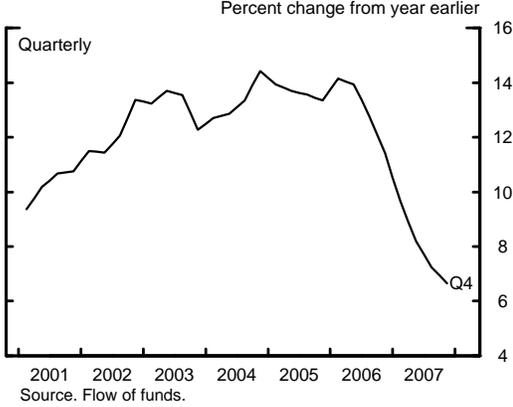
Retirements from completed cash-financed mergers and acquisitions were less than half their level in the fourth quarter, and only one new deal valued above \$5 billion was announced. Retirements resulting from share repurchases also cooled in the first quarter, as profit growth slowed and firms reportedly sought to preserve cash positions. Gross public equity issuance in March and the first three weeks of April was dominated by a single large initial public offering and was otherwise sluggish in an environment of generally low valuations and volatile equity prices.

Commercial Real Estate

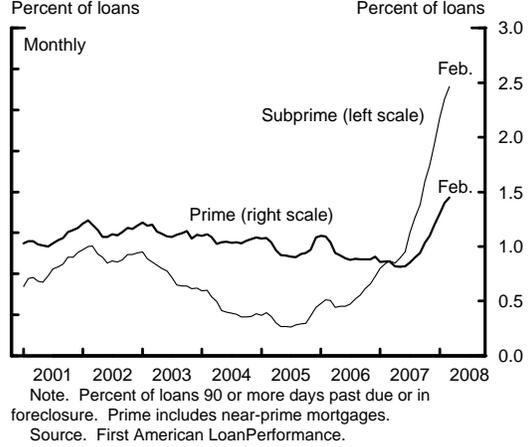
Sales of existing commercial properties were steady in February and March at a level far below the peak in 2007, and indications are that commercial real estate prices have flattened out. Spreads on credit default swap (CDS) indexes for commercial mortgage-

Residential Mortgages

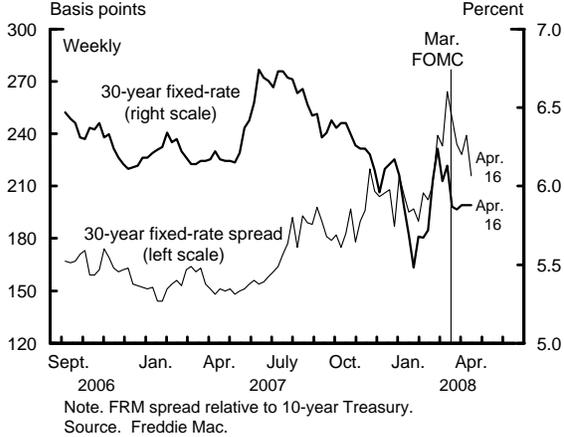
Mortgage Debt



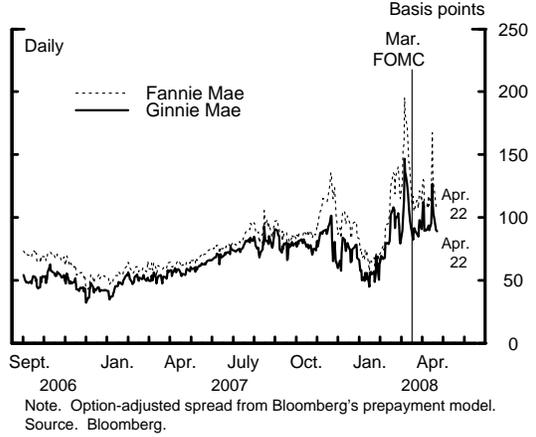
Delinquencies on Mortgages



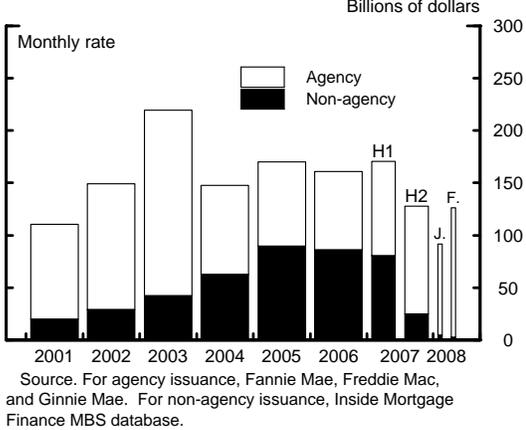
Prime Conforming Mortgage Rate and Spread



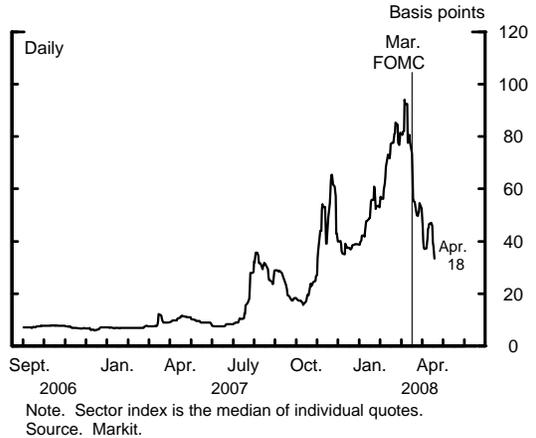
30-Year Option-Adjusted Current Coupon Spreads



Agency and Non-agency MBS Issuance

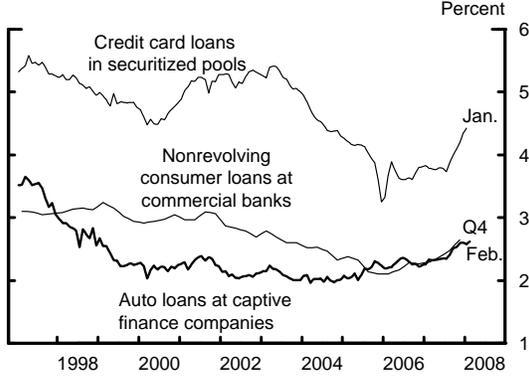


GSE Credit Default Swap Index



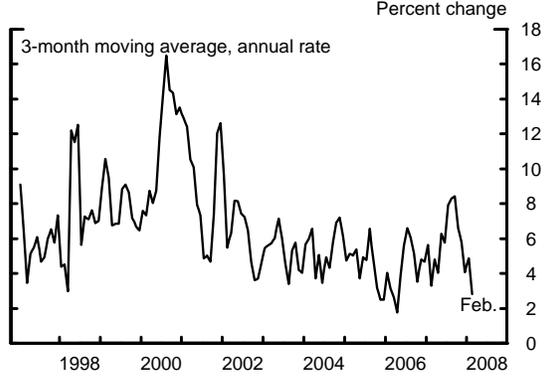
Consumer Credit and Household Wealth

Delinquencies on Consumer Loans

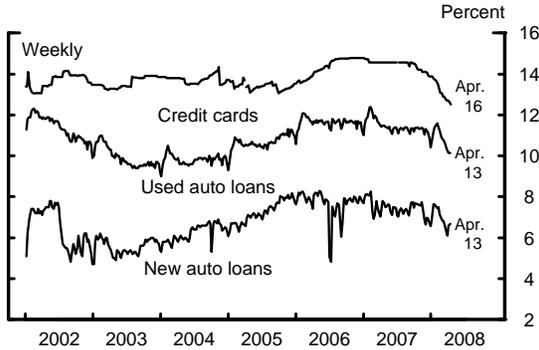


Source. For nonrevolving, Call Report; for credit cards, Moody's; for auto loans, Federal Reserve.

Consumer Credit

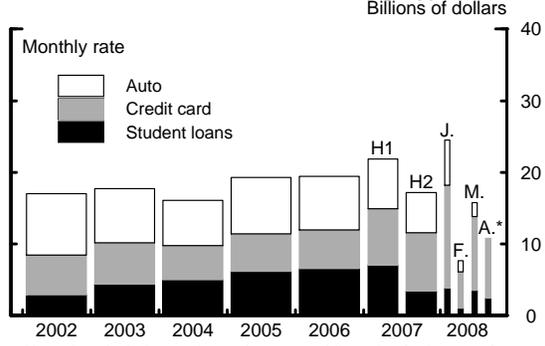


Interest Rates on Consumer Loans



Source. For credit cards, Bank Rate Monitor; for auto, PIN.

Gross Issuance of Consumer ABS by Type



Note. Auto includes car loans, leases, and financing for buyers of motorcycles, trucks, and other vehicles.

* As of Apr. 11

Source. Inside Mortgage Finance MBS database, Merrill Lynch.

Net Flows into Mutual Funds

(Billions of dollars, monthly rate)

Fund type	2006	2007			2008			Assets Feb.
		H1	Q3	Q4	Jan.	Feb.	Mar. ^e	
Total long-term funds	18.9	32.0	4.6	7.0	-22.1	27.6	3.4	8,360
Equity funds	13.3	14.8	1.2	1.2	-44.9	9.5	-10.7	5,967
Domestic	0.9	1.3	-8.3	-8.5	-35.6	3.6	-9.5	4,424
International	12.4	13.5	9.5	9.7	-9.2	5.9	-1.2	1,543
Hybrid funds	0.6	2.6	1.0	1.2	-1.5	3.3	0.9	682
Bond funds	5.0	14.6	2.5	4.6	24.2	14.9	13.2	1,711
High-yield	-0.2	0.2	-0.8	-0.6	-2.2	-0.5	-0.8	149
Other taxable	4.0	11.9	3.1	6.5	23.9	14.2	11.7	1,200
Municipals	1.3	2.4	0.2	-1.3	2.5	1.2	2.3	362
Money market funds	27.8	26.3	110.9	86.6	178.4	112.2	68.1	3,435

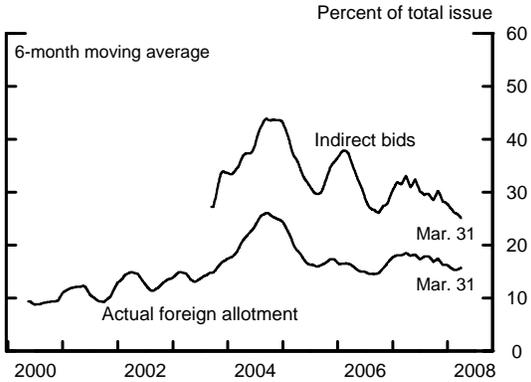
Note. Excludes reinvested dividends.

^e Staff estimate based on confidential weekly data.

Source. Investment Company Institute.

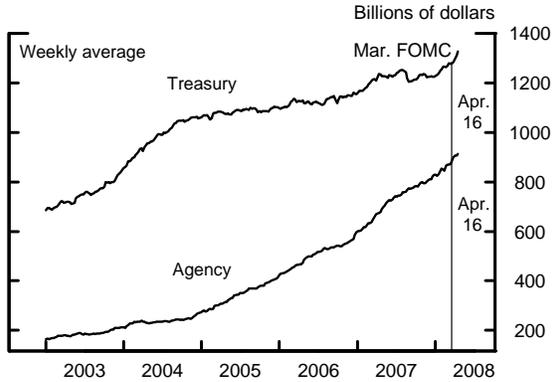
Treasury Finance

Foreign Participation in Treasury Auctions



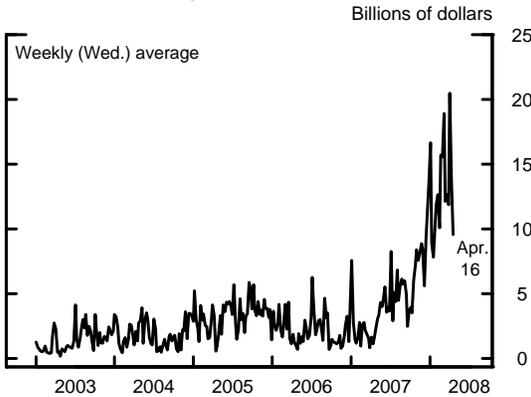
Note. Indirect bids and actual allotment are a percentage of the total amount accepted, including the amount tendered to the Federal Reserve. Moving averages include 2-, 5-, and 10-year original auctions and reopenings.

Foreign Custody Holdings



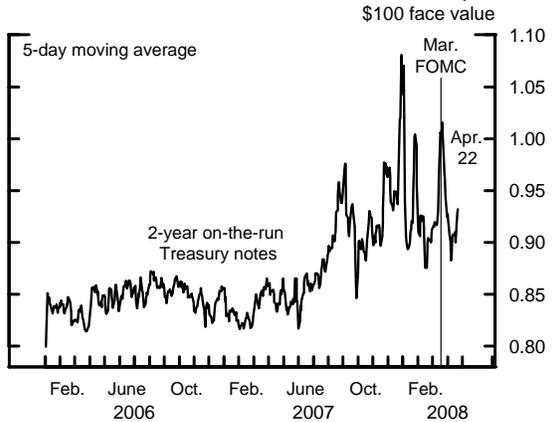
Note. Securities held in custody at the Federal Reserve Bank of New York on behalf of foreign official institutions.

Securities Lending



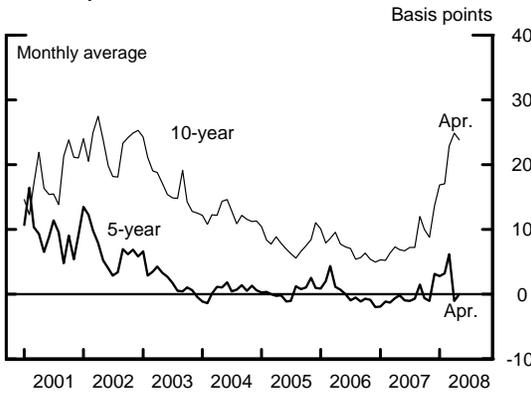
Note. Volume of securities lent to market participants from the System Open Market Account portfolio through the overnight facility.

Bid-Ask Spread



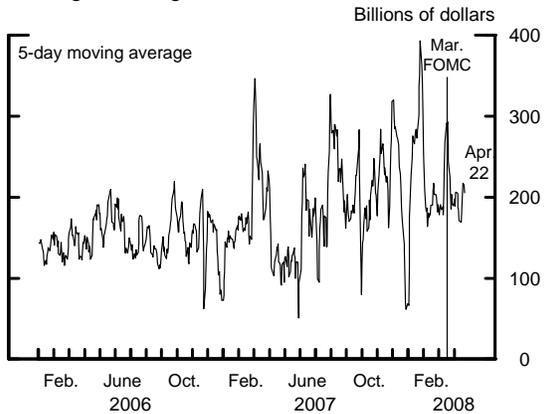
Source. BrokerTec Interdealer Market Data.

Treasury On-the-Run Premiums



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

Average Trading Volume



Note. 5-day moving average of daily trading volume in 2-, 5-, and 10-year on-the-run coupon securities in interdealer market. Source. BrokerTec Interdealer Market Data.

backed securities (CMBS) fell substantially, like those on most other debt securities. Even so, CMBS CDS spreads are still quite high by historical standards, and the cash CMBS market remained essentially dormant over the intermeeting period. Delinquency rates on CMBS and commercial bank loans backed by existing properties have remained relatively low, while those on loans for residential and commercial construction projects climbed further in the fourth quarter. In the April Senior Loan Officer Opinion Survey, a large majority of banks reported tightening lending standards on commercial real estate loans over the past three months.

Household Finance

Incoming data suggested a further deterioration in residential loan performance. Data for February continued to show nonprime loans performing the worst, but the delinquency rates on other types of mortgages have risen.

After having tightened notably in March, conditions in the conforming-mortgage market recovered somewhat in recent weeks. Spreads between primary-market interest rates on conforming mortgages and rates on 10-year Treasury securities decreased over the intermeeting period. Option-adjusted spreads on agency MBS also declined on net over the period, amid significant volatility. Although primary-market and secondary-market spreads remained high by historical standards, issuance of agency MBS remained very strong in the first two months of 2008, suggesting ample supply of credit for conforming mortgages. In contrast, almost no non-agency MBS were issued in January or February, indicating that the market for nonconforming products remained exceptionally tight.

Indicators of the availability of nonmortgage consumer credit have been mixed. Growth of consumer credit has slowed in recent months, particularly for nonrevolving loans. Following rising delinquency rates on credit-card and auto loans early in the year, lenders reportedly continued to tighten standards and curb credit limits through April. Nonetheless, interest rates on consumer loans decreased in recent weeks. Issuance of most types of consumer asset-backed securities picked up in March, but issuance for auto loans remained quite light. Amid continued difficulties in the secondary market, lenders representing more than 10 percent of government-guaranteed student loan originations announced that they would not originate new loans in the fall of 2008, and originators of private-credit (non-government-guaranteed) loans raised interest rates and tightened credit standards.

State and Local Government Finance

Gross Offerings of Municipal Securities

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

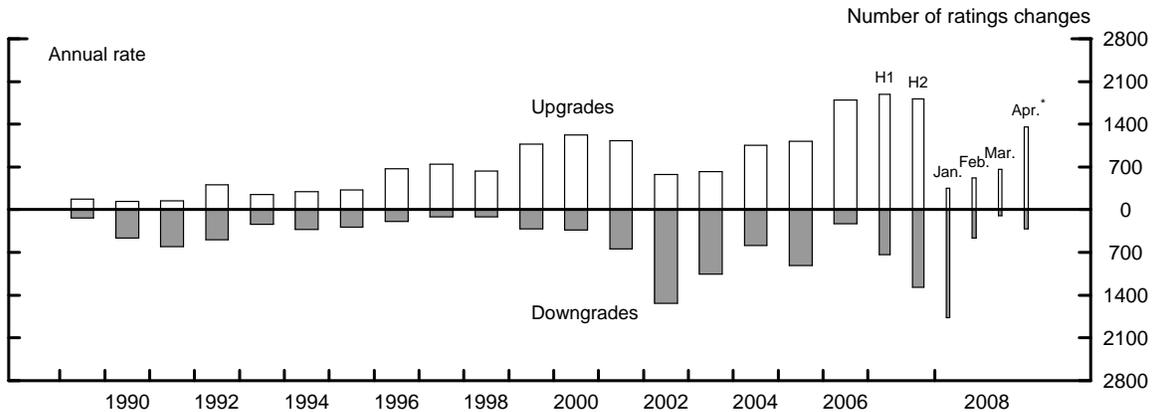
Type of security	2004	2005	2006	2007	2008			
					Jan.	Feb.	Mar.	Apr. ^p
Total	34.7	38.4	36.1	40.3	21.1	22.2	42.5	37.0
Long-term ¹	29.8	34.2	32.5	35.5	19.4	21.2	41.1	36.0
Refundings ²	10.8	15.6	10.6	12.5	3.9	6.3	19.9	18.0
New capital	19.0	18.6	21.9	23.0	15.4	14.9	21.2	18.0
Short-term	4.9	4.2	3.7	4.9	1.7	.9	1.4	1.0
Memo: Long-term taxable	2.0	2.1	2.5	2.4	1.0	.9	3.5	3.0

1. Includes issues for public and private purposes.

2. All issues that include any refunding bonds.

p Based on preliminary data through April 17, 2008.

Ratings Changes



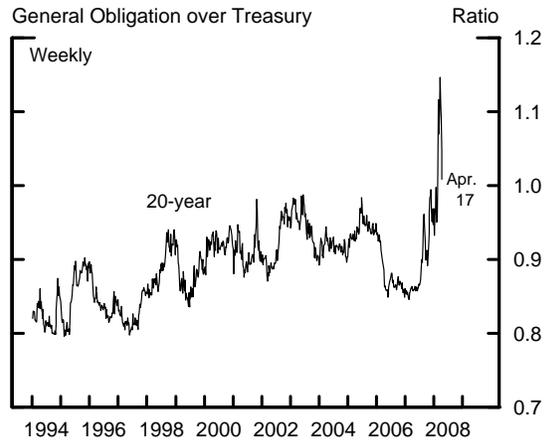
* Staff estimate based on data through April 16, 2008.
Source: S&P's Credit Week Municipal and Ratings Direct.

Municipal Bond Yields



Source: Municipal Market Advisors and Bond Buyer.

Municipal Bond Yield Ratio



Source: Bond Buyer.

Long-term mutual funds registered small inflows in March, as investors shifted the composition of their portfolios from equity funds to bonds funds. Money market mutual funds continued to attract heavy inflows last month, but at a slower pace than earlier in the year.

Treasury Finance

During the intermeeting period, the Treasury auctioned 2- and 5-year nominal securities, with mixed results. Demand at the auction for the 2-year security was quite strong, while the bid-to-cover ratio at the 5-year auction was slightly below its recent average. Two inflation-indexed securities were auctioned as well, with demand at both auctions in line with recent experience. Allotments to foreign investors in the nominal Treasury auctions were roughly in line with other recent auctions.

The greater availability of Treasury securities resulting from TSLF operations and sales from the System Open Market Account appears to have supported trading conditions in the Treasury coupon market, although the functioning of this market is still somewhat strained. Bid-asked spreads have declined from their March peaks but remain elevated, and the on-the-run premium for the 10-year note remains at a five-year high. Trading volumes in Treasuries have been about average in recent weeks.

State and Local Government Finance

Gross issuance of long-term municipal bonds rebounded strongly in March and remained robust in the first half of April, reflecting, in part, the refinancing of auction-rate security issues, for which the market remains impaired. Short-term issuance was moderate, in line with typical seasonal patterns.

The underlying credit quality of municipal bonds has remained strong; indeed, the number of ratings upgrades outpaced the number of downgrades in March and April. Yields on long-term municipal bonds declined slightly over the intermeeting period. The yield ratio to comparable-maturity Treasuries retraced much of the spike in late February and early March.

Money and Bank Credit

M2 expanded at an annual rate of 12½ percent in March, only a little below its torrid pace in February. Retail money funds and liquid deposits accounted for the rapid growth last month. In contrast, small time deposits contracted in March, the first decline since 2004,

M2 Monetary Aggregate
(Based on seasonally adjusted data)

Aggregate and components	Percent change (annual rate) ¹						Level (billions of dollars), Mar.
	2006	2007	2007	2008			
			Q4	Q1	Feb.	Mar.	
M2	4.9	5.8	4.8	9.5	16.8	12.6	7,662
Components ²							
Currency	3.5	2.0	1.1	-.6	1.4	4.9	762
Liquid deposits ³	.7	4.5	2.1	6.8	13.4	15.0	4,611
Small time deposits	18.6	4.1	5.7	3.0	2.5	-8.9	1,217
Retail money market funds	13.0	19.3	20.4	39.0	62.1	33.3	1,065
Memo:							
Institutional money market funds	15.7	39.3	54.1	46.7	87.6	44.1	2,148
Monetary base	3.1	2.0	1.0	-.5	1.9	6.9	827

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.

as some depository institutions that had been competing aggressively for these funds reduced their rates.

Results from the April Senior Loan Officer Opinion Survey (see appendix to this section) indicate that commercial banks continued to tighten their credit standards on all major loan categories over the past three months. Indeed, the net fractions of banks tightening lending standards reached or surpassed historical highs for all loan categories in the survey. Notwithstanding this reported tightening, commercial bank credit expanded at an annual rate of 13 percent in March, an increase supported by growth in business and residential real estate lending. Lending to businesses through C&I and commercial real estate loans jumped in March, particularly at large institutions. Part of the recent strength in C&I lending was reportedly due to increased utilization of existing credit lines, the pricing of which does not fully reflect current lending practices.

In March, outstanding residential mortgages at banks rose at a vigorous annual rate of 14 percent, in part because of a sluggish pace of securitization. Growth of home equity lines of credit (HELOCs) was brisk last month, but commercial banks have started to take actions to limit their exposure to these loans: According to the April Senior Loan Officer Opinion Survey, a significant fraction of banks reported that they had tightened their credit standards for approving new applications for HELOCs, and a notable fraction reported that they had also firmed lending terms on existing home equity lines, mainly in response to declines in property values.

Write-downs of mortgage-related assets and leveraged syndicated loans contributed importantly to a drop in commercial bank profitability in the first quarter. Banking institutions also increased loss provisions substantially. In addition to housing-related problems, banking organizations cited increased delinquency rates on consumer loans, and a few indicated that cracks had begun to appear in the credit quality of their small business loan portfolios.

Commercial Bank Credit

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

Type of credit	H1 2007	Q3 2007	Q4 2007	Jan. 2008	Feb. 2008	Mar. 2008	Level ¹ Mar. 2008
Total	9.5	12.4	9.5	1.8	9.6	13.4	9,026
<i>Loans²</i>							
Total	10.8	11.7	10.5	10.7	6.9	8.4	6,796
To businesses							
Commercial and industrial	11.7	21.4	27.4	14.7	8.0	19.8	1,466
Commercial real estate	9.9	10.4	9.2	6.9	8.2	13.0	1,621
To households							
Residential real estate	13.1	2.6	-5.5	6.0	10.2	14.1	1,881
Revolving home equity	4.9	5.4	7.3	8.5	11.2	18.5	494
Other	16.0	1.7	-9.8	5.0	10.0	12.5	1,388
Consumer	4.8	10.7	10.6	3.9	.6	4.6	812
Originated ³	4.8	10.1	8.4	6.8	6.5	4.0	1,219
Other ⁴	11.4	19.7	21.0	24.8	2.8	-22.1	1,016
<i>Securities</i>							
Total	5.8	14.8	6.3	-25.0	18.0	29.1	2,230
Treasury and agency	-6.2	7.7	-17.4	-32.9	7.5	43.1	1,129
Other ⁵	22.5	23.4	34.3	-16.7	28.8	14.9	1,101

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

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

Appendix

Senior Loan Officer Opinion Survey on Bank Lending Practices

The April 2008 Senior Loan Officer Opinion Survey on Bank Lending Practices addressed changes in the supply of, and demand for, bank loans to businesses and households over the past three months.¹ Special questions in the survey queried banks about changes in terms on home equity lines of credit and about their student loan programs. This appendix is based on responses from 56 domestic banks and 21 U.S. branches and agencies of foreign banks.

In the April survey, domestic and foreign institutions reported having further tightened their lending standards and terms on all loan categories over the past three months, with the net fractions of banks reporting tighter lending standards now being at, or above, historical highs for all loan categories in the survey. Compared with the January survey, the net fractions of banks that tightened lending standards increased significantly for consumer and commercial and industrial (C&I) loans. Demand for bank loans from both businesses and households reportedly weakened further, on net, over the past three months, although by less than had been the case over the previous survey period.

Business Lending

Questions on C&I loans. About 55 percent of domestic banks—up from about 30 percent in the January survey—reported tightening lending standards on C&I loans to large and middle-market firms over the past three months. A significant majority of respondents reported tightening price terms on C&I loans to these firms, and in particular, about 70 percent of banks—up from about 45 percent in the January survey—indicated that they had increased spreads of loan rates over their cost of funds. In addition, smaller but significant net fractions of domestic banks reported tightening non-price-related terms on C&I loans to these firms over the past three months.

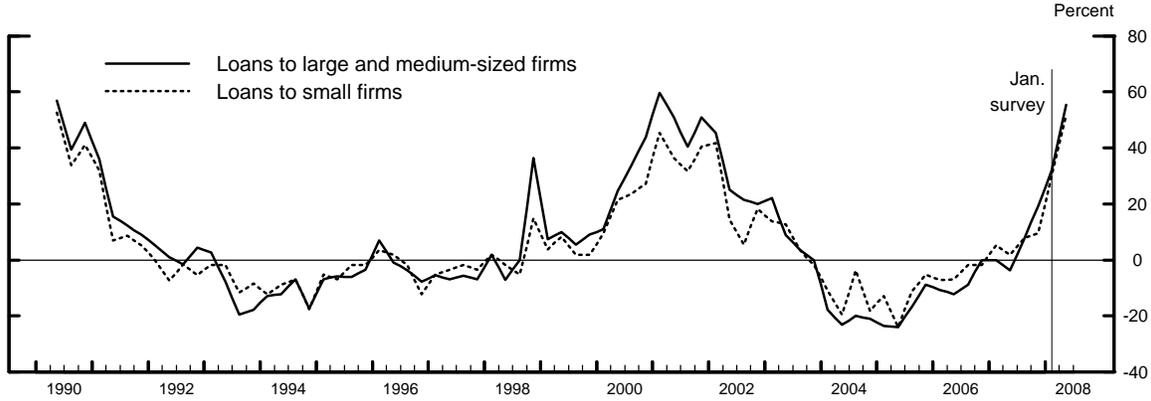
Regarding C&I loans to small firms, about 50 percent of domestic respondents reported tightening their lending standards on such loans over the survey period, compared with about 30 percent who reported doing so in the January survey. About 65 percent of banks—up from about 40 percent in the January survey—also noted that they had increased spreads of C&I loan rates over their cost of funds for these firms. In addition, large net fractions of domestic respondents reported tightening other price-related terms, and smaller fractions tightened non-price-related terms on C&I loans to small firms.

About 60 percent of U.S. branches and agencies of foreign banks—a slightly smaller fraction than in January—noted that they had tightened lending standards on C&I loans over the past three months, and very large majorities also reported that they had tightened price terms on such loans:

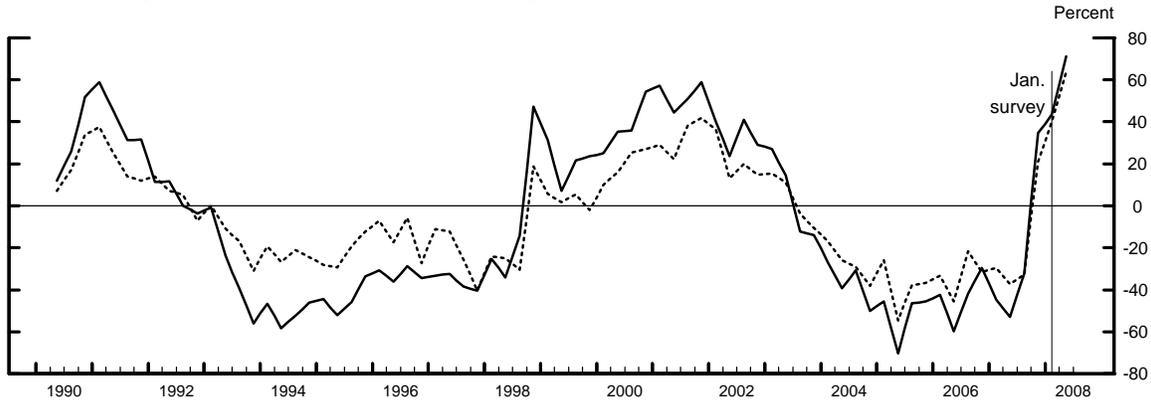
¹ Banks received the survey in early April, and their responses were due on April 17.

Measures of Supply and Demand for C&I Loans, by Size of Firm Seeking Loan

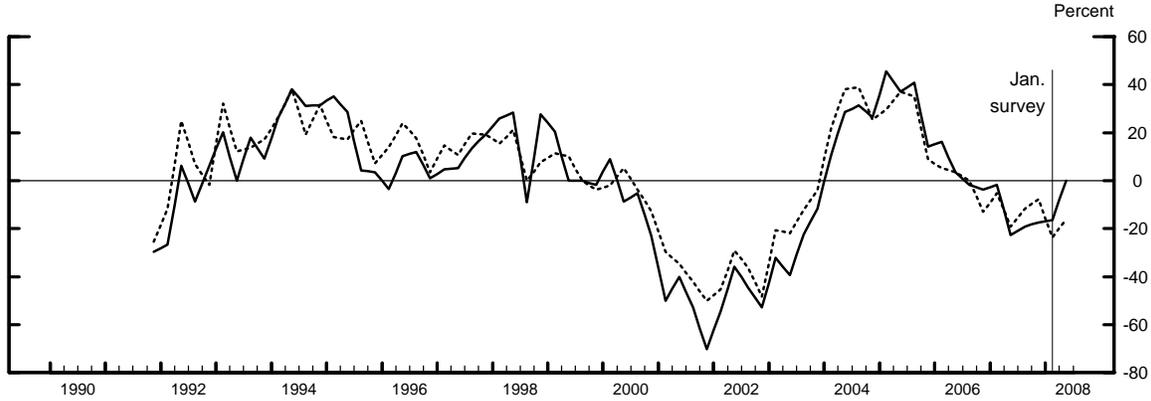
Net Percentage of Domestic Respondents Tightening Standards for C&I Loans



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



Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans



In particular, around 80 percent of foreign banks—about the same as in the January survey—reported increasing spreads of loan rates over their cost of funds. Finally, large fractions of foreign respondents reported tightening selected non-price-related terms over the past three months.

Substantial majorities of domestic and foreign respondents pointed to a less favorable or more uncertain economic outlook and to a worsening of industry-specific problems as reasons for tightening their lending standards and terms on C&I loans over the past three months. In addition, significant majorities of respondents cited their banks' reduced tolerance for risk and decreased liquidity in the secondary market for these loans. About 35 percent of domestic banks and 45 percent of foreign institutions—somewhat larger fractions than in the January survey—noted that concerns about their banks' current or expected capital position had contributed to more-stringent lending policies over the past three months.

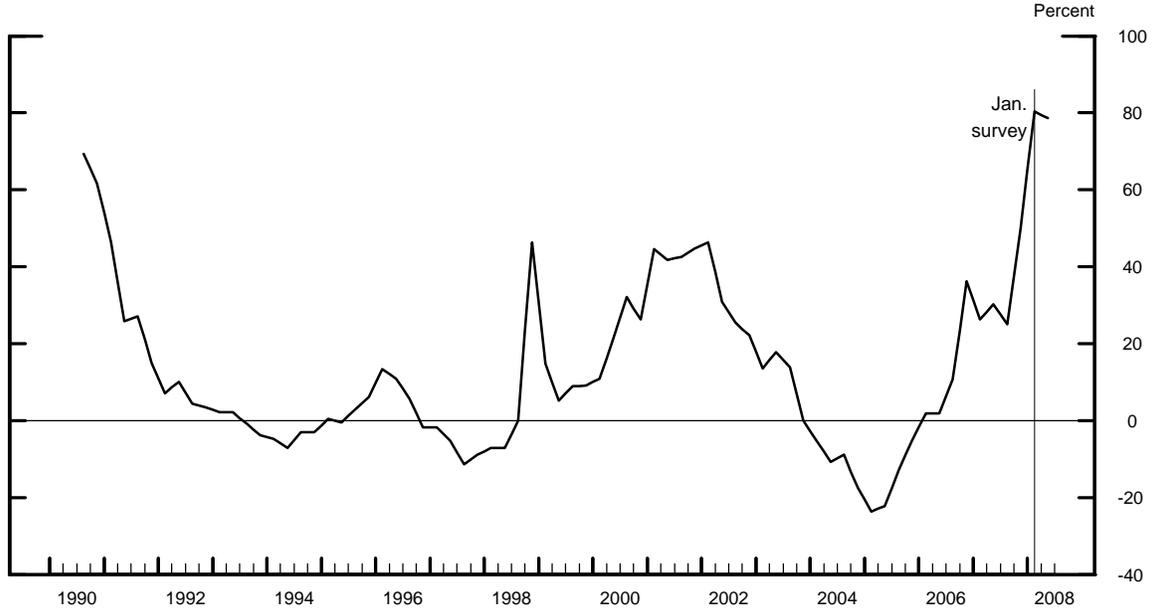
On net, about 15 percent of large domestic banks reported that demand for C&I loans from large and middle-market firms had increased over the past three months, but a similar net fraction of these banks reported weaker demand from small firms. In contrast, about 20 percent of small domestic banks, on net, reported weaker demand for C&I loans from all types of firms over the past three months. Finally, about 25 percent of foreign banks, on balance, reported weaker demand for C&I loans over the survey period.

The vast majority of large domestic banks that reported stronger loan demand from large and middle-market firms indicated that customer borrowing shifted to their banks from other bank or nonbank sources, as these other sources became less attractive for such borrowers. Substantial majorities of domestic and foreign institutions that reportedly experienced weaker loan demand over the past three months pointed to a decrease in customers' needs to finance investment in plant and equipment. In addition, as reasons for a lower demand for C&I loans, the majority of domestic banks indicated that customers' needs to finance inventories had declined, and all foreign respondents noted a decrease in customers' needs for merger and acquisition financing. Regarding future business, about 20 percent of large domestic banks, on net, reported an increase in the number of inquiries from potential business borrowers over the past three months. In contrast, tiny net fractions of small domestic banks and foreign institutions indicated that inquiries from potential business borrowers had declined during the survey period.

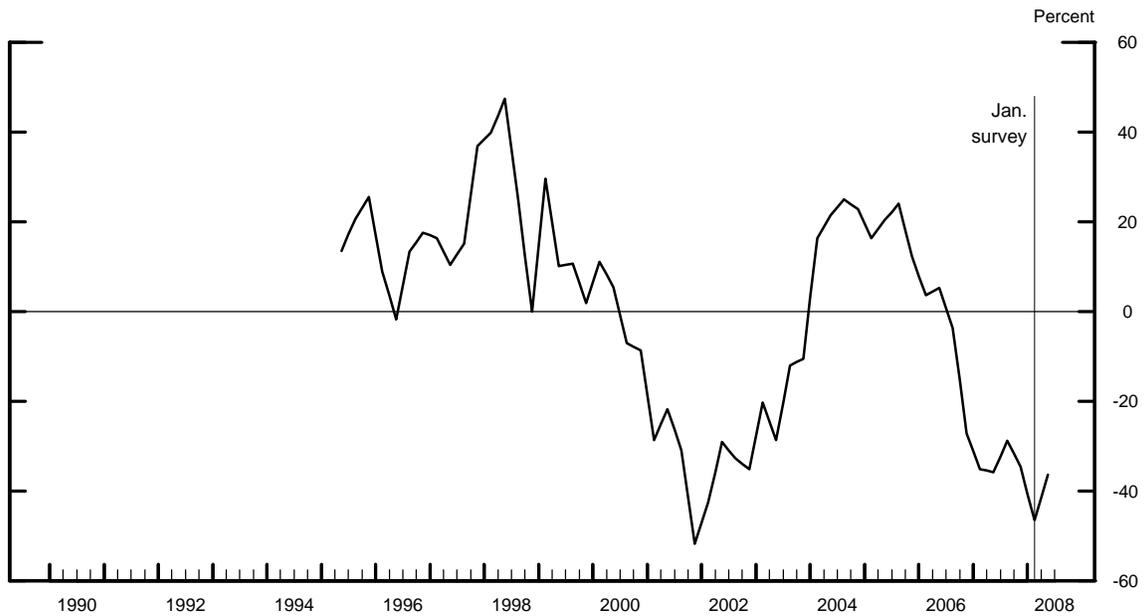
Questions on commercial real estate loans. About 80 percent of domestic banks and 55 percent of foreign banks—fractions similar to those in the January survey—reported tightening their lending standards on commercial real estate loans over the past three months. Concerning loan demand, about 35 percent of domestic banks and 45 percent of foreign institutions reported weaker demand, on net, for commercial real estate loans over the past three months.

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



Lending to Households

Questions on residential real estate loans. Majorities of domestic respondents reported that they had tightened their lending standards on prime, nontraditional, and subprime residential mortgages over the past three months. About 60 percent of domestic respondents—a somewhat larger fraction than in the January survey—indicated that they had tightened their lending standards on prime mortgages.² Of the 37 banks that originated nontraditional residential mortgage loans, about 75 percent—a somewhat smaller fraction than in the January survey—reported a tightening of their lending standards on such loans over the past three months.³ Finally, 8 of the 10 banks that originated subprime mortgage loans—a somewhat higher proportion than in the January survey—indicated that they had tightened their lending standards on such loans.⁴

About 25 percent of domestic respondents, on net, experienced weaker demand for prime residential mortgage loans over the past three months, and 30 percent indicated weaker demand for nontraditional mortgage loans over the same period. The net fractions of respondents that reportedly experienced weaker demand for these two types of loans in the current survey were significantly smaller than in the January survey. Finally, about 65 percent of domestic banks—a net fraction similar to that in the January survey—reported weaker demand for subprime loans.

About 70 percent of domestic respondents—a somewhat higher fraction than in the January survey—indicated that they had tightened their lending standards for approving applications for home equity lines of credit (HELOCs) over the past three months. Regarding demand for these lines, about 20 percent of domestic banks, on net, reported weaker demand over the past three months.

Special questions on existing HELOCs. About 50 percent of domestic respondents reported having tightened terms on existing HELOCs over the past six months. Nearly all respondents pointed to declines in the value of the collateral significantly below the appraised value for the purposes of the HELOCs as reasons for tightening terms on these lines. Large majorities of respondents also cited increased defaults of material obligations under loan agreements, as well as significant changes in borrowers' financial circumstances, as additional reasons for tightening terms on the existing HELOCs.

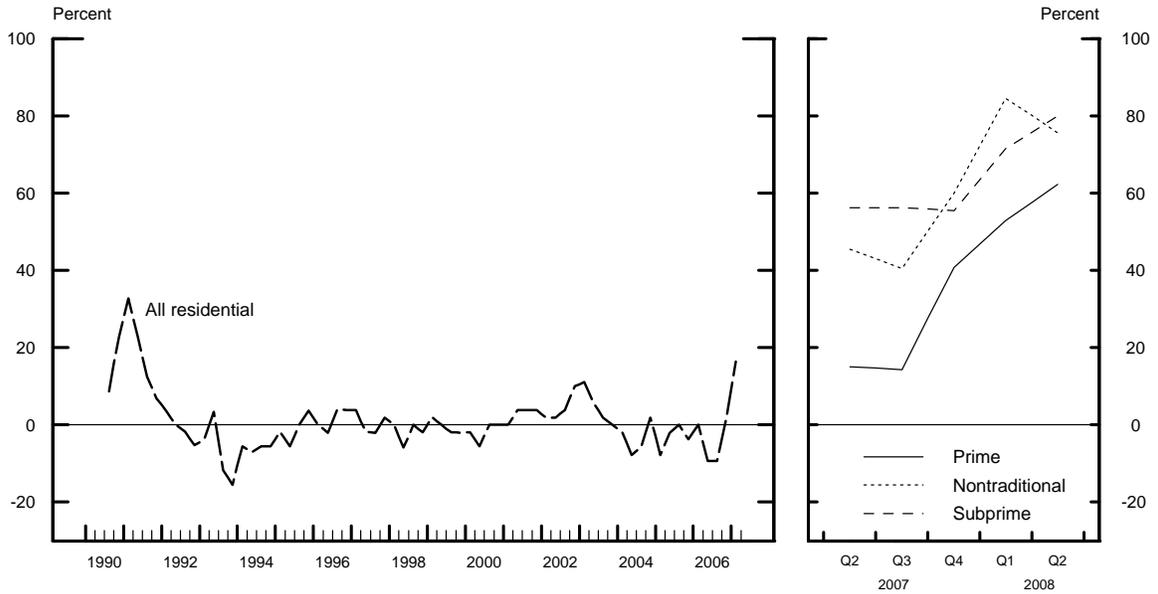
² A total of 53 institutions reported that they originated prime residential mortgages. According to Call Reports, these 53 banks accounted for about 80 percent of residential real estate loans on the books of all commercial banks as of December 31, 2007.

³ According to Call Reports, these 37 institutions accounted for about 75 percent of residential real estate loans on the books of all commercial banks as of December 31, 2007.

⁴ According to Call Reports, these 10 institutions accounted for about 50 percent of residential real estate loans on the books of all commercial banks as of December 31 2007.

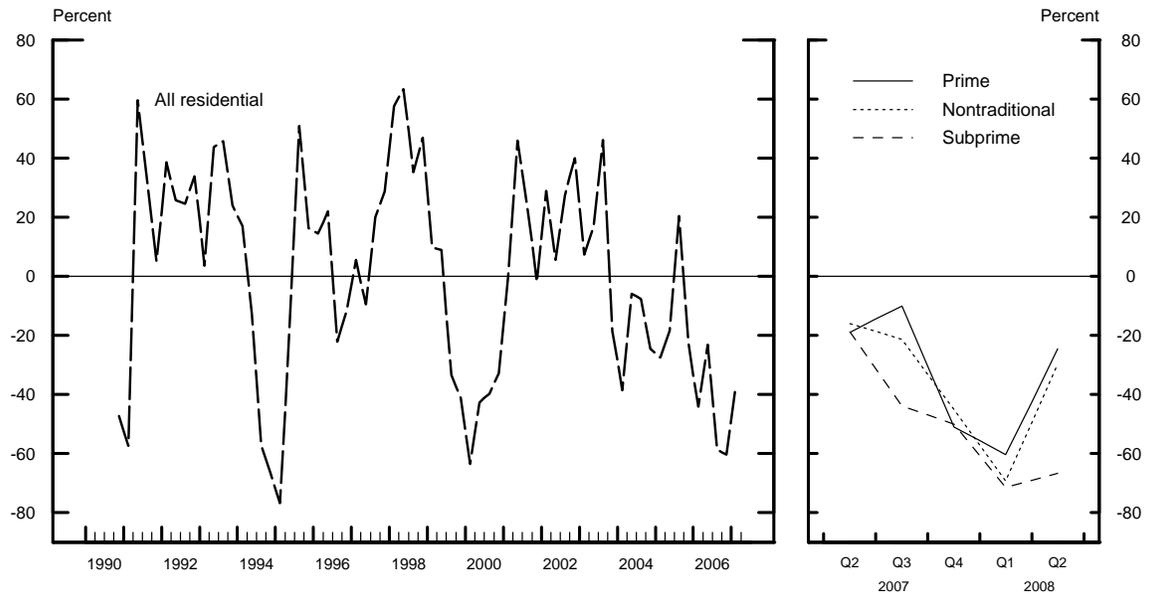
Measures of Supply and Demand for Residential Mortgage Loans

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.

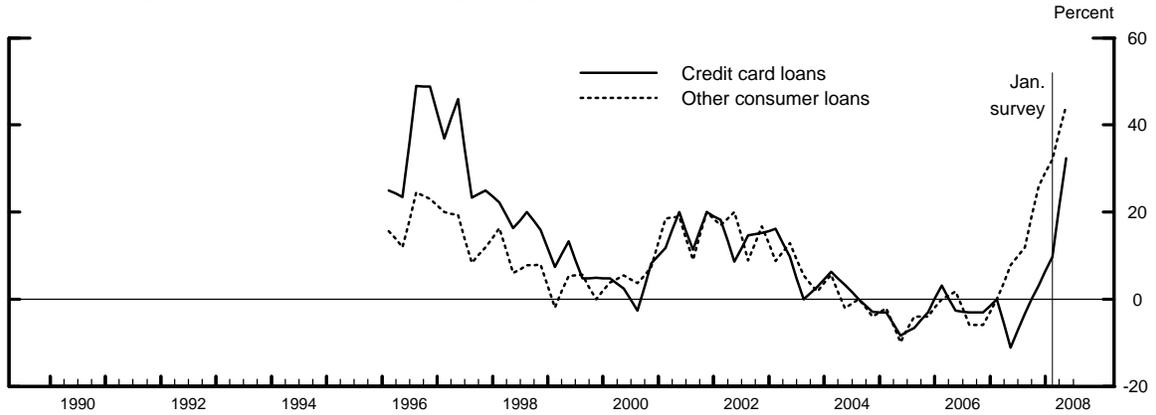
Net Percentage of Domestic Respondents Reporting Stronger Demand for Residential Mortgage Loans



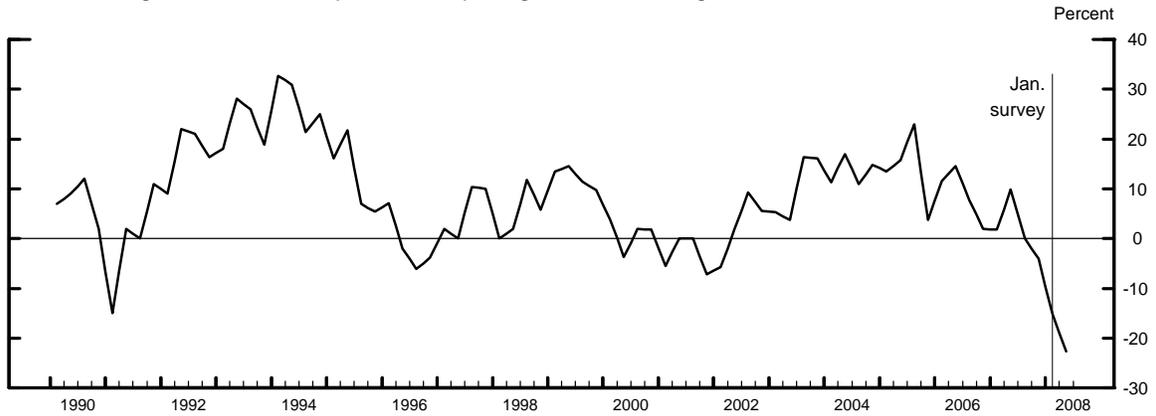
Note. For data starting in 2007:Q2, changes in demand for prime, nontraditional, and subprime mortgage loans are reported separately.

Measures of Supply and Demand for Consumer Loans

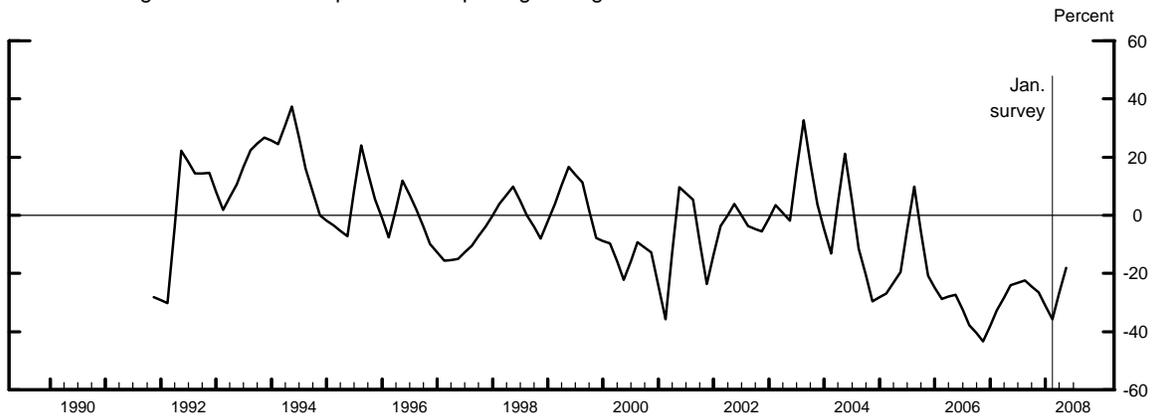
Net Percentage of Domestic Respondents Tightening Standards for Consumer Loans



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



Net Percentage of Domestic Respondents Reporting Stronger Demand for Consumer Loans



Questions on consumer loans. About 30 percent of domestic banks—up from around 10 percent in the January survey—reported that they had tightened their lending standards on credit card loans over the past three months. In addition, significant net fractions of respondents indicated that they had reduced the extent to which such loans were granted to customers who did not meet credit-scoring thresholds, reduced credit limits on credit card loans, and increased minimum required credit scores. On net, about 25 percent of domestic banks—up from around 15 percent in the January survey—expressed a diminished willingness relative to three months earlier to make consumer installment loans. About 45 percent of domestic banks—up from around 30 percent in the January survey—reported tightening lending standards on consumer loans other than credit card loans. Similar fractions of respondents indicated that they had widened spreads of loan rates over their banks' cost of funds and had reduced the extent to which such loans were granted to customers who did not meet credit-scoring thresholds. Regarding loan demand, about 20 percent of respondents, on net, indicated that they had experienced weaker demand for consumer loans of all types over the previous three months, down notably from around 35 percent in the January survey.

Special questions on student loan programs. In the April survey, 29 domestic banks reported that they had originated student loans under the Federal Family Education Loan Program (FFELP) in the fall of 2007. Of these, about 40 percent, on net, expected that their commitments to provide these loans for the fall of 2008 will decrease relative to those made last year. In addition, about 45 percent of respondents, on net, expected the number of schools for which they will provide financing under the FFELP to decline relative to 2007, and about 60 percent of respondents expected to reduce the amount of borrower benefits on these loans relative to those provided in 2007.

Of the 20 banks that reported originating private-credit (non-FFELP) student loans in the fall of 2007, about 15 percent, on net, expected their commitments to provide these loans for the fall of 2008 to decline relative to 2007. In addition, about 40 percent of respondents expected a decline in the number of schools for which their banks will provide financing for this fall. Finally, large fractions of banks anticipated that, compared with 2007, they will increase private-credit student loan rate spreads over their cost of funds. Similarly, large fractions of respondents expected to tighten credit standards on private-credit student loans for the fall of 2008.

International Developments

International Developments

U.S. International Transactions

Trade in Goods and Services

The U.S. international trade deficit widened to \$62.3 billion in February following a deficit of \$59 billion in January. The widening of the deficit reflected a sharp upswing in imports that more than offset continued robust growth of exports.

Trade in Goods and Services

	2007	Annual rate			Monthly rate		
		2007		2008	2007	2008	
		Q3	Q4	Q1 ^e	Dec.	Jan.	Feb.
Percent change							
<i>Nominal BOP</i>							
Exports	14.5	27.0	12.6	17.0	1.5	1.7	2.0
Imports	10.0	12.7	12.6	14.8	-1.2	1.8	3.1
<i>Real NIPA</i>							
Exports	8.4	19.1	6.5	n.a.	...	...	...
Imports	1.0	4.4	-1.4	n.a.	...	...	...
Billions of dollars							
<i>Nominal BOP</i>							
Net exports	-708.5	-690.3	-711.4	-727.7	-57.9	-59.0	-62.3
Goods, net	-815.4	-802.2	-832.2	-854.2	-68.0	-69.4	-72.9
Services, net	106.9	111.9	120.8	126.5	10.1	10.5	10.6

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

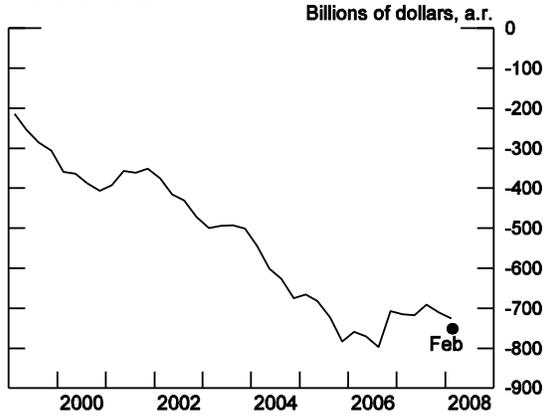
Source. U.S. Department of Commerce, Bureaus of Economic Analysis and Census.
n.a. Not available. ... Not applicable.

In February, the value of exports of goods and services rose 2 percent, a continuation of recent robust growth. Goods exports were boosted by strong growth of agricultural goods, automobiles, and industrial supplies, particularly fuels. Exports of capital goods declined for the second consecutive month, with declines spread across a wide range of products. Exports of services increased about 1 percent from the previous month, with most of this rise attributable to exports of travel services.

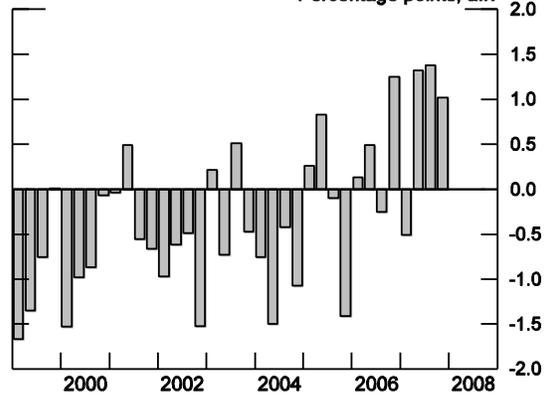
The average value of exports in January and February increased 17 percent (a.r.) from the fourth quarter. With the exception of automobiles and aircraft, all major categories of exports increased. Exports of agricultural goods, industrial supplies, computers, and consumer goods were particularly strong.

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

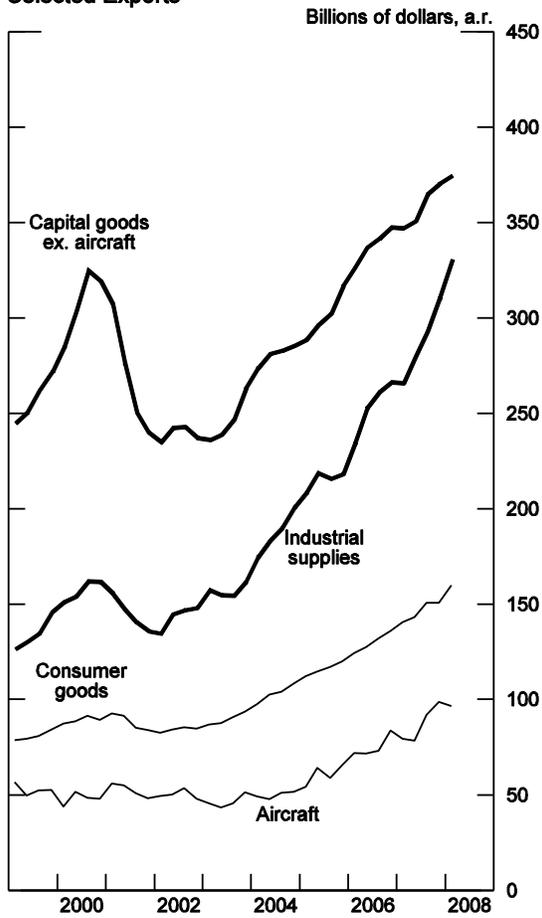
Trade Balance



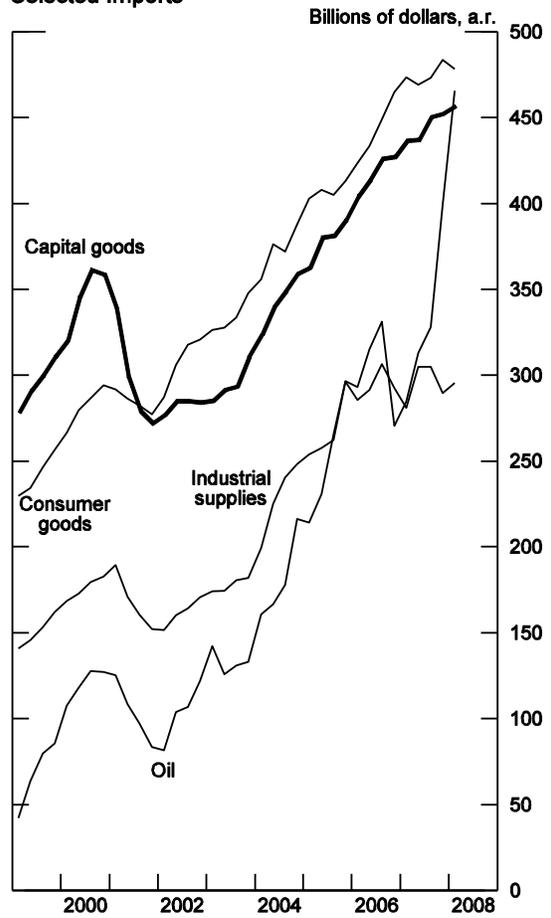
Contribution of Net Exports to Real GDP Growth



Selected Exports



Selected Imports



U.S. Exports and Imports of Goods and Services
(Billions of dollars, a.r., BOP basis)

	Levels				Change ¹			
	2007	2008	2008		2007	2008	2008	
	Q4	Q1 ^e	Jan.	Feb.	Q4	Q1 ^e	Jan.	Feb.
Exports of G&S	1729.2	1798.4	1780.6	1816.3	50.4	69.2	30.3	35.7
Goods exports	1217.2	1272.2	1256.8	1287.5	28.7	55.0	21.5	30.7
Gold	12.0	22.2	17.9	26.5	-2.3	10.2	5.4	8.6
Other goods	1205.2	1250.0	1239.0	1261.0	31.0	44.8	16.1	22.1
Capital goods	469.6	471.6	475.8	467.5	12.1	2.0	-5.8	-8.3
Aircraft & parts	98.5	96.7	96.9	96.6	6.4	-1.8	-9.1	-.3
Computers & accessories	41.4	44.2	44.0	44.3	-1.8	2.8	3.2	.2
Semiconductors	52.6	53.5	54.5	52.5	4.3	.9	-1.4	-2.0
Other capital goods	277.1	277.2	280.3	274.1	3.2	.1	1.4	-6.2
Automotive	125.7	123.2	120.7	125.6	-2.9	-2.6	-.0	4.9
Ind. supplies (ex. ag., gold)	311.7	331.4	325.0	337.9	17.8	19.8	5.2	13.0
Consumer goods	150.7	159.8	160.6	159.0	-.2	9.1	5.9	-1.7
Agricultural	102.6	115.0	110.3	119.8	.8	12.4	7.6	9.5
All other goods	44.8	48.9	46.6	51.3	3.4	4.1	8.3	4.7
Services exports	512.0	526.2	523.8	528.7	21.7	14.2	8.8	4.9
Imports of G&S	2440.6	2526.1	2488.1	2564.1	71.5	85.5	43.5	76.0
Goods imports	2049.4	2126.4	2090.2	2162.6	58.7	77.0	38.9	72.4
Oil	399.5	465.2	477.4	452.9	71.7	65.6	48.6	-24.5
Gold	7.0	16.2	10.6	21.8	-3.6	9.2	2.8	11.2
Other goods	1642.8	1645.0	1602.1	1687.8	-9.3	2.2	-12.6	85.7
Capital goods	453.1	457.7	451.9	463.4	2.1	4.6	-.6	11.5
Aircraft & parts	35.5	36.0	35.2	36.9	.4	.6	1.8	1.8
Computers & accessories	103.4	105.7	106.1	105.3	1.9	2.3	-1.5	-.8
Semiconductors	27.0	26.5	26.3	26.6	.5	-.5	-.4	.3
Other capital goods	287.2	289.5	284.3	294.6	-.7	2.3	-.4	10.3
Automotive	261.6	257.6	246.9	268.2	-6.6	-4.0	2.1	21.3
Ind. supplies (ex. oil, gold)	289.5	295.8	283.4	308.2	-15.3	6.3	-.6	24.8
Consumer goods	483.7	478.5	465.3	491.8	10.5	-5.2	-17.3	26.5
Foods, feeds, bev.	82.8	86.4	85.8	87.0	-.9	3.6	4.2	1.1
All other goods	72.2	69.0	68.8	69.3	.9	-3.2	-.5	.5
Services imports	391.2	399.7	398.0	401.5	12.8	8.5	4.7	3.6
<i>Memo:</i>								
Oil quantity (mb/d)	13.54	14.83	15.24	14.42	.81	1.28	1.35	-.82
Oil import price (\$/bbl)	80.62	85.90	85.77	86.02	10.12	5.26	1.23	.25

1. Change from previous quarter or month. e. Average of two months.

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

The value of imports of goods and services rose about 3 percent in February. Excluding imports of petroleum, which declined in February, imports rose a very strong 5 percent. There were increases in most of the major categories of non-oil imports, with the most noteworthy increases in natural gas, automobiles, and consumer goods. Outside of petroleum, declines were registered in building materials and computers. Imports of services continued to rise at a robust pace.

The average value of imports in January and February increased almost 15 percent (a.r.) from the fourth quarter. Nearly all of the increase was in petroleum products, but there were more modest increases in imports of capital goods, foods and some categories of nonfuel industrial supplies. In contrast, imports of automobiles and consumer goods recorded declined. Imports of services rose, albeit at a slower pace than in recent quarters.

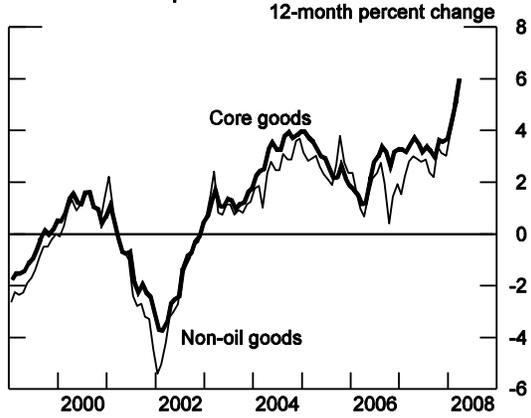
Prices of Internationally Traded Goods

Non-oil imports. In March, following large increases in January and February, core import prices rose 1.2 percent. This increase is the second largest one-month increase in core prices in the 13 year history of the index. About two-thirds of the increase was due to higher prices for material-intensive goods, which rose 3 percent. Prices for nonfuel industrial supplies jumped 3.2 percent, largely reflecting higher prices for imported metals and chemicals. For imported food, prices were up 2.5 percent. In March, prices for finished goods increased 0.3 percent. Prices for consumer goods rose 0.5 percent, driven in large part by increases for furniture and pharmaceuticals.

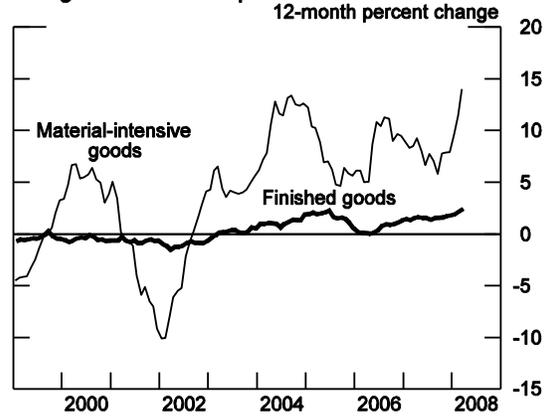
For the first quarter, core import prices rose at an annual rate of 9½ percent (on a BLS basis). Much of the increase reflected higher prices for material-intensive goods, which increased at a 22¼ percent pace. Prices for finished goods rose at a 3¾ percent pace, which is a notable pick-up from the 2007 pace of 2 percent.

Prices of U.S. Imports and Exports

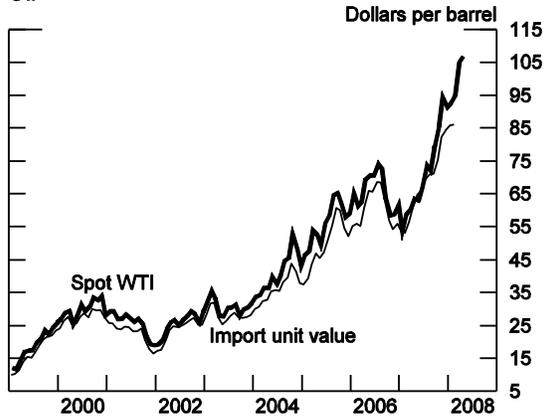
Merchandise Imports



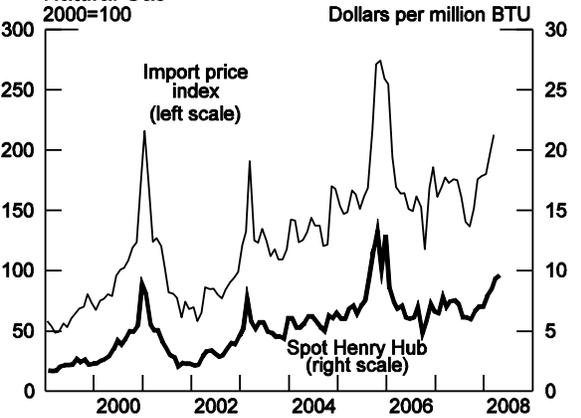
Categories of Core Imports



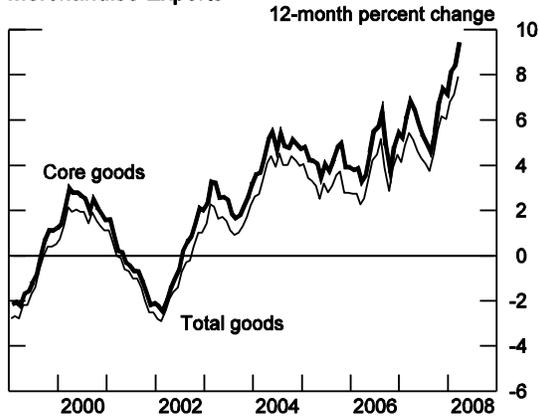
Oil



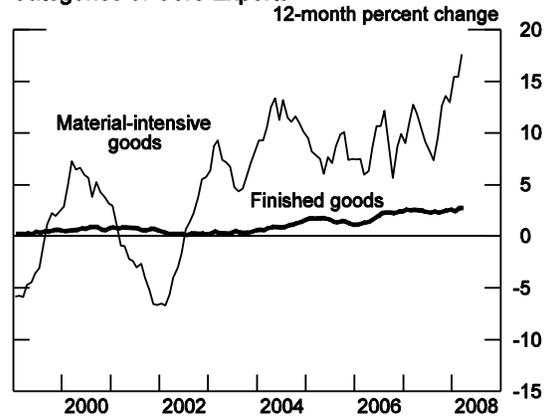
Natural Gas



Merchandise Exports



Categories of Core Exports



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

	Annual rate			Monthly rate		
	2007		2008	2008		
	Q3	Q4	Q1	Jan.	Feb.	Mar.
	----- BLS prices -----					
Merchandise imports	9.7	16.3	14.7	1.5	.2	2.8
Oil	48.1	73.6	39.6	4.2	-1.9	9.1
Non-oil	1.8	4.6	8.2	.6	.7	1.1
Core goods ¹	3.1	3.7	9.4	1.0	.7	1.2
Finished goods	2.2	2.0	3.7	.4	.3	.3
Cap. goods ex. comp. & semi.	3.9	2.5	3.2	.3	.3	.2
Automotive products	1.5	4.7	3.9	.3	.1	.2
Consumer goods	2.4	1.8	4.5	.5	.4	.5
Material-intensive goods	5.3	7.6	22.3	2.3	1.6	3.0
Foods, feeds, beverages	10.7	10.3	19.8	3.2	.0	2.5
Industrial supplies ex. fuels	4.6	6.8	23.0	2.0	2.1	3.2
Computers	-2	-2.7	-10.0	-1.7	-.7	-.2
Semiconductors	4.9	1.6	-7.0	-1.1	-.2	-.9
Natural gas	-51.0	78.5	86.0	.8	9.9	7.7
Merchandise exports	2.8	7.7	12.8	1.2	1.1	1.5
Core goods ²	3.1	9.1	15.7	1.5	1.3	1.9
Finished goods	2.0	2.6	4.0	.4	.4	.2
Cap. goods ex. comp. & semi.	2.4	3.1	5.6	.6	.5	.2
Automotive products	.8	1.3	1.8	.2	.1	.2
Consumer goods	2.2	2.4	2.9	.1	.2	.2
Material-intensive goods	4.5	17.5	30.4	2.7	2.3	3.8
Agricultural products	24.0	40.9	57.6	5.0	4.6	4.1
Industrial supplies ex. ag.	-.3	11.2	22.4	2.0	1.5	3.7
Computers	-5.3	-3.9	-8.9	-1.2	-.4	-1.2
Semiconductors	.6	1.0	1.4	-.6	.7	-.7
	----- NIPA prices -----					
Chain price index						
Imports of goods & services	7.5	13.2	n.a.	...	...	...
Non-oil merchandise	1.4	4.3	n.a.	...	...	...
Core goods ¹	3.1	3.9	n.a.	...	...	...
Exports of goods & services	3.8	6.0	n.a.	...	...	...
Total merchandise	3.2	6.3	n.a.	...	...	...
Core goods ²	4.5	7.6	n.a.	...	...	...

1. Excludes computers, semiconductors, and natural gas.

2. Excludes computers and semiconductors.

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

Oil. The BLS price index of imported oil rose 9.1 percent in March. The spot price of West Texas Intermediate (WTI) crude oil averaged \$105.42 per barrel in March, up 10 percent from its February average. Moving into the current month, the spot price of WTI has continued to climb, settling at \$119.38 per barrel on April 22. The price of futures for delivery at the end of 2016 closed at \$108.83 per barrel on April 22, up \$9 since mid-March. The increase in oil prices over this period likely reflects incoming adverse news regarding prospects for supply in the coming year, particularly downward revisions to projected production in Mexico and Russia, as well as robust demand growth, despite the moderation of global economic growth.

Exports. In March, core export prices rose 1.9 percent. Much of the increase reflected higher prices for material-intensive goods. Prices for agricultural products rose 4.1 percent. Within agricultural products, soybean and corn prices were the largest contributors to the March increase, rising 9.6 percent and 7.9 percent, respectively. Prices for nonagricultural industrial supplies were also higher, rising 3.7 percent, reflecting higher prices for fuels, metals, and chemicals. Prices for finished goods decelerated slightly in March, increasing only 0.2 percent.

In the first quarter, core export prices rose at an annual rate of 15³/₄ percent (on a BLS basis), as prices of material-intensive goods soared 30¹/₂ percent and prices of finished goods rose 4 percent. The large increase in material-intensive goods reflected a 57¹/₂ percent increase in prices for agricultural exports combined with a 22¹/₂ percent increase in prices for nonagricultural industrial supplies. Within finished goods, the category with the largest increase was capital goods excluding computers and semiconductors, which rose 5¹/₂ percent.

U.S. Current Account

The U.S. current account deficit for the fourth quarter of 2007 was reported at \$692 billion (a.r), which is \$18 billion narrower than in the third quarter (revised). For the third consecutive quarter, an improvement in net investment income was the primary reason for the narrowing deficit. The fourth quarter increase of \$47 billion (a.r.) in net investment income came mainly from a fall in direct investment income payments. A smaller decline in portfolio interest and dividend payments was offset by a similar decline in portfolio income receipts, as both reflect the downward drift in interest rates. The large increase in net investment income was partly offset by a \$21 billion (a.r.) widening in the deficit on goods and services in the fourth quarter and an increase in net unilateral transfers abroad. The trade deficit on goods widened by \$30 billion, with

import growth outpacing export growth, while the surplus on services expanded somewhat.

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>				
2006	-758.5	43.2	-96.1	-811.5
2007	-708.5	81.1	-111.2	-738.6
<i>Quarterly</i>				
2007:Q1	-714.5	36.1	-114.4	-792.8
Q2	-717.9	57.1	-99.4	-760.2
Q3	-690.3	92.1	-111.6	-709.4
Q4	-711.4	139.0	-119.3	-691.7
<i>Change</i>				
Q1-Q4	-6.8	-9.2	-25.0	-41.0
Q2-Q1	-3.4	21.0	15.0	32.6
Q3-Q2	27.6	35.0	-12.2	50.4
Q4-Q3	-21.1	46.9	-7.7	18.1

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

U.S. International Financial Transactions

The financial flows associated with the current account are presented in the Summary of U.S. International Transactions Table. Fourth-quarter foreign official inflows (line 1) were quite strong, bringing the total for 2007 to nearly the level of 2006 despite weaker inflows in the second and third quarters. Private foreign net purchases of U.S. securities (line 4) were also strong in the fourth quarter, driven particularly by continued ‘flight-to-quality’ into Treasury securities (line 4a). These net purchases of Treasuries were at their highest quarterly level since early 2005. Corporate stocks and bonds also posted solid net purchases by foreigners, more than reversing net sales in the previous quarter.

The inflows from private purchases of securities were offset by an unusually large outflow of U.S. direct investment abroad (line 6) and an outflow in the volatile banking category (line 3). U.S. direct investment abroad jumped in the fourth quarter because of increases in equity capital investment by U.S. corporations in their foreign affiliates. Meanwhile, foreign direct investment in the U.S. fell back to a more normal level in the fourth quarter after the previous quarter’s surge (line 7).

Overall, net financial inflows recorded in the fourth quarter exceeded the recorded current account deficit, resulting in a -\$57 billion statistical discrepancy for the quarter. This discrepancy will be narrowed somewhat once newly-released data on derivatives settlements are incorporated by BEA. These new data show a net outflow of \$13 billion for derivatives in the fourth quarter (line 8).

Turning to the recent monthly data, in February private foreign net purchases of U.S. securities (line 4) jumped dramatically to \$77 billion after a very weak inflow in January. This puts February among the highest months for private foreign net purchases recorded in the past two years. The surge was primarily into the safe havens of Treasury and long-term agency securities. Private net purchases of Treasury securities were near the peaks seen in the turbulent months of August, October, and November of last year. However, February's \$26 billion record high for private net purchases of agencies is in sharp contrast to the monthly net sales generally recorded since last August (top-right panel of the chart on Private Securities Flows). Private foreign net purchases of corporate bonds and equities were also positive but small. Meanwhile, U.S. residents stayed on trend by making \$12 billion in net purchases of foreign securities (line 5), reflecting strong purchases of foreign stock only partly offset by net sales of foreign bonds.

Foreign official flows into the United States (line 1) came down from their unusual highs of the past three months, but remained positive at \$15 billion. Official inflows went primarily into long-term agency bonds, with lesser inflows into corporate bonds and stocks.

. In contrast, foreign official investors on net sold short-term Treasury bills and short-term agencies. The prices of these securities have been very elevated of late because of their desirability for use as collateral for repurchase agreements. Official institutions, not needing them as collateral, may be shifting out of these securities in response. Overall, while official inflows in February were below trend for most countries, inflows from OPEC remained near the record high set in January (charts on Foreign Official Financial Flows). Finally, partial and confidential data on custody accounts at FRBNY show very strong foreign official net purchases of both agency and Treasury securities in March, .

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

	2006	2007	2007				2008	
			Q1	Q2	Q3	Q4	Jan.	Feb.
Official financial flows	446.2	424.8	153.0	76.3	42.0	153.5	103.0	15.0
1. Change in foreign official assets in the U.S. (increase, +)	443.8	424.9	153.1	76.2	42.0	153.6	103.2	15.1
a. G-10 countries + ECB	21.4	43.6	9.2	6.2	10.1	18.1	4.7	-5.5
b. OPEC	45.2	30.9	11.4	0.4	2.8	16.3	9.7	8.3
c. All other countries	377.2	350.4	128.5	73.7	29.1	119.1	88.8	12.4
2. Change in U.S. official reserve assets (decrease, +)	2.4	-0.1	-0.1	0.0	-0.1	-0.0	-0.1	-0.1
Private financial flows	387.0	232.6	29.6	79.7	69.1	76.6	...	...
Banks								
3. Change in net foreign positions of banking offices in the U.S. ¹	142.3	-61.1	-20.2	11.7	-20.6	-32.0	-34.0	-0.2
Securities²								
4. Foreign net purchases (+) of U.S. securities	541.6	595.0	175.6	247.9	11.3	160.3	1.1	76.6
a. Treasury securities	-35.0	167.7	46.2	0.6	54.1	66.8	-2.1	34.6
b. Agency bonds	14.9	-29.1	-32.0	29.0	-16.3	-9.8	2.9	26.0
c. Corporate and municipal bonds	412.9	264.5	117.2	111.6	-8.5	44.1	-3.6	12.0
d. Corporate stocks ³	148.9	191.9	44.2	106.6	-18.1	59.3	3.8	4.0
5. U.S. net acquisitions (-) of foreign securities	-290.4	-254.7	-83.7	-68.6	-99.2	-3.3	-21.9	-11.9
a. Bonds	-152.5	-136.0	-39.4	-41.5	-42.5	-12.6	-17.9	4.9
b. Stock purchases	-119.1	-107.4	-40.1	-27.2	-52.1	11.9	-4.0	-16.8
c. Stock swaps ³	-18.8	-11.3	-4.2	0.0	-4.5	-2.6	0.0	0.0
Other flows (quarterly data, s.a.)								
6. U.S. direct investment (-) abroad	-235.4	-335.4	-81.9	-78.4	-58.7	-116.4	...	...
7. Foreign direct investment in the U.S.	180.6	204.4	13.0	50.1	101.3	39.9	...	...
8. Net derivatives (inflow, +)	28.8	6.5	14.8	-1.0	5.9	-13.2	...	...
9. Foreign acquisitions of U.S. currency	12.6	10.9	-1.6	3.3	4.7	4.5	...	...
10. Other (inflow, +) ⁴	6.9	67.0	13.6	-85.3	124.3	36.7	...	...
U.S. current account balance (s.a.)	-811.5	-738.6	-198.2	-190.1	-177.4	-172.9	...	...
Capital account balance (s.a.)⁵	-3.9	-2.3	-0.6	-0.6	-0.6	-0.6	...	...
Statistical discrepancy (s.a.)	-17.8	83.6	16.2	34.7	67.0	-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. 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 commissions on securities transactions 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 non-market means such as mergers and reincorporations.

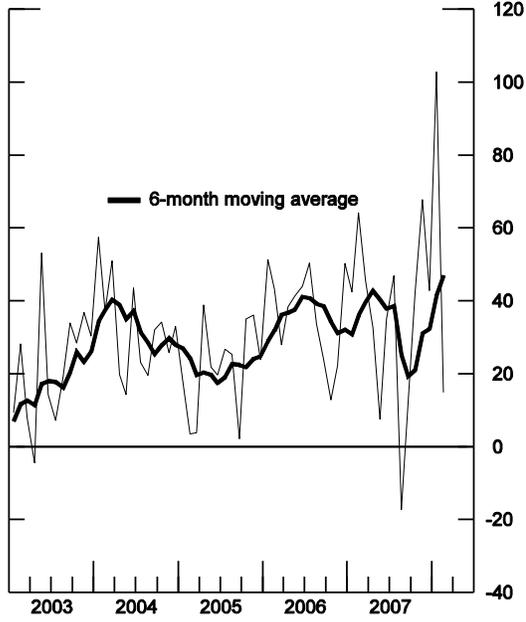
4. Transactions by nonbanking concerns and other banking and official transactions not shown elsewhere plus amounts resulting from adjustments made by the Department of Commerce and revisions (in lines 1 through 5 and 8) since publication of the quarterly data in the Survey of Current Business.

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

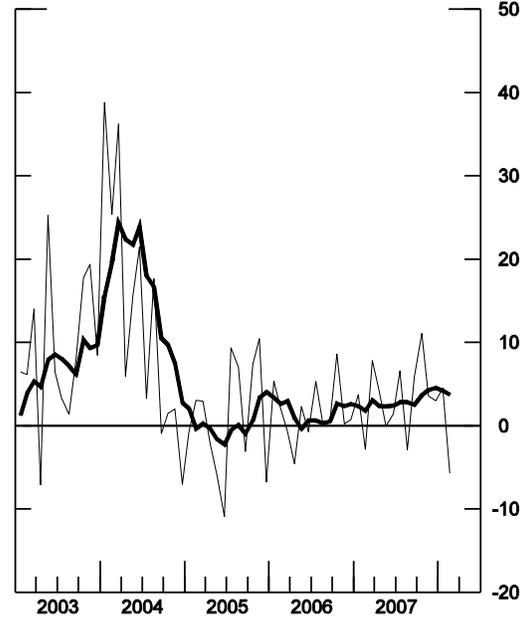
... Not applicable.

Foreign Official Financial Flows Through February 2008 (increase, +)
 (\$ Billions, monthly, not seasonally adjusted)

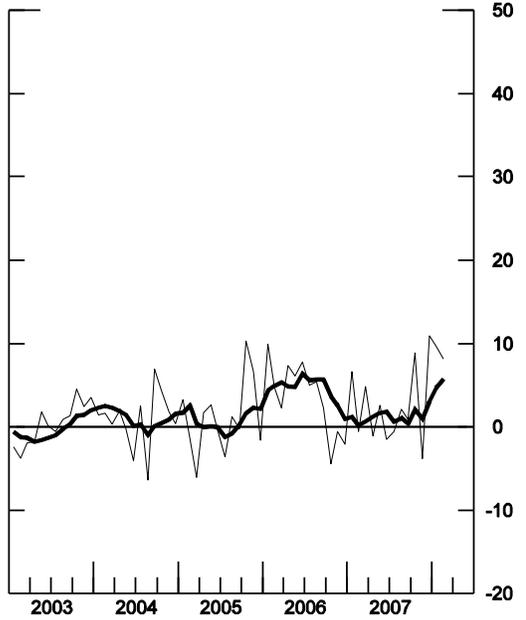
Total



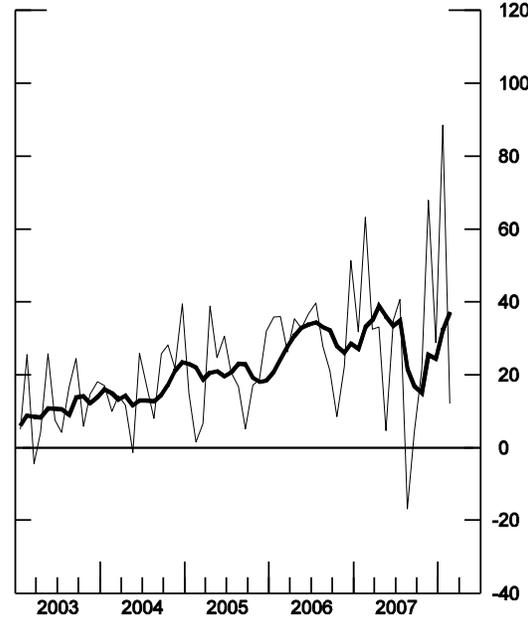
G-10 + ECB



OPEC

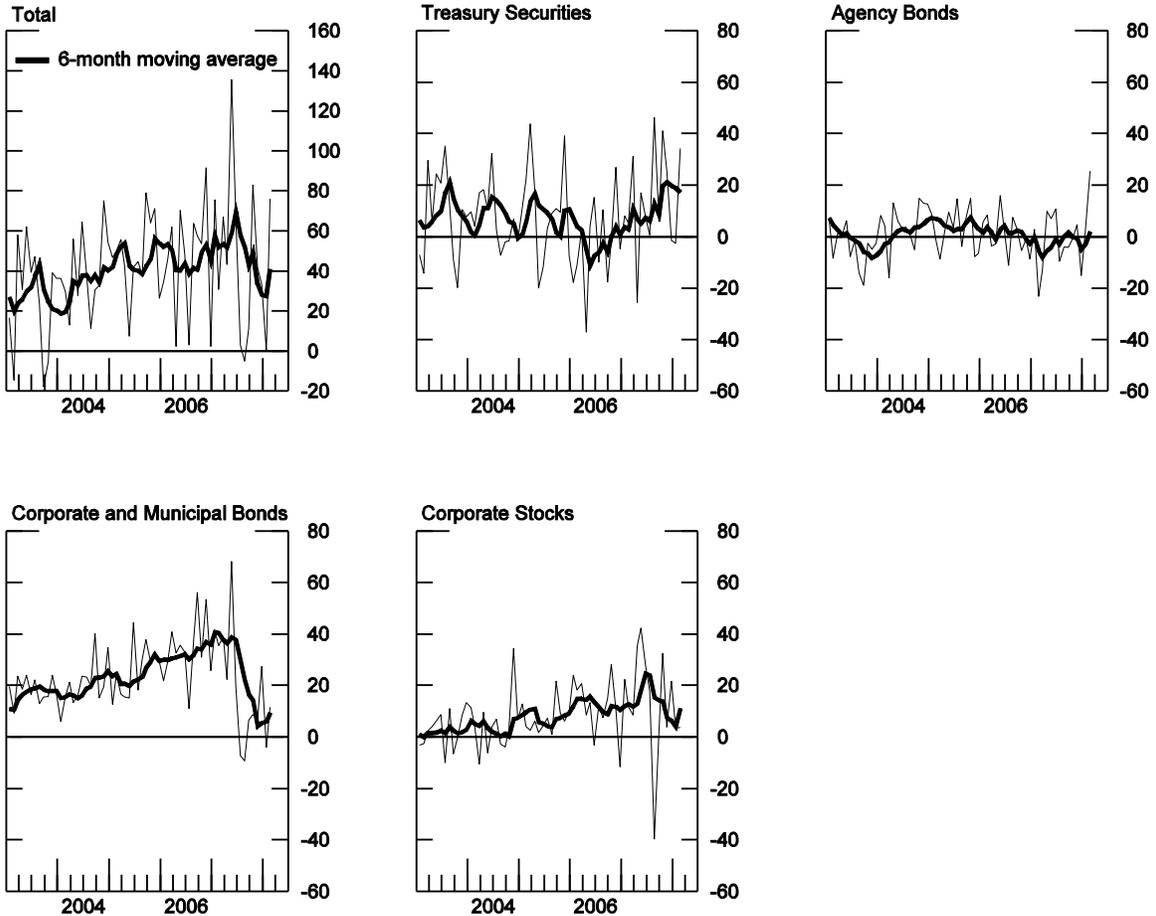


All other countries

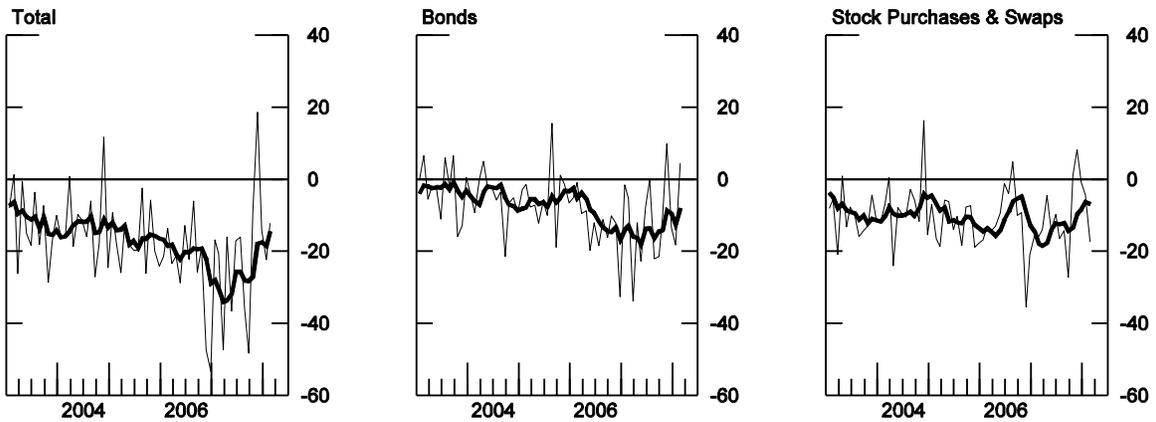


Private Securities Flows Through February 2008
 (\$ Billions, monthly, not seasonally adjusted)

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



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



Foreign Financial Markets

The trade-weighted index of the exchange value of the dollar against the major foreign currencies is little changed since the March Greenbook. The dollar rose about 3 percent against the Canadian dollar, 2 percent against sterling, and ½ percent against the yen, but it depreciated 2¾ percent against euro.

Liquidity in European bond markets has improved as the spread between 10-year Italian, Portuguese, Spanish and Greek government bond yields and 10-year German government bond yields have decreased 15 to 20 basis points since the March Greenbook. Ten-year nominal sovereign yields rose about 35 basis points in the euro-area, 25 basis points in the United Kingdom, and 10 basis points in Canada and Japan, and ten-year real rates rose 10 and 40 basis points in the euro-area, the United Kingdom, and Japan, but were little changed in Canada. In line with improvements in market sentiment, major headline equity indexes in Europe, Japan, and the United Kingdom ended the period up 2 to 6 percent on net. Market analysts were focused over the period on the releases of better-than-expected earnings reports by Lehman Brothers and Goldman Sachs, and efforts by banks to recapitalize. In particular, on April 1, UBS announced that it would seek a new \$15.1 billion rights issue, which would be fully underwritten by a group of investment banks.

Despite improvements in market sentiment, the passing of quarter end, and several steps taken by foreign central banks to help funding markets, there are still heightened liquidity pressures in long term funding. LIBOR-OIS spreads widened in sterling and in euro. The Bank of England lowered its policy rate by 25 basis points and conducted two 3-month repo auctions. On April 21 the Bank of England unveiled a plan to swap securities backed by mortgages for government bonds for a period of one to three years as the U.K. mortgage market showed increasing signs of distress. The ECB and SNB drew upon their swap lines with the Fed to auction \$15 billion and \$6 billion, respectively, in 28-day funds in conjunction with the March 25 and April 22 TAF auctions, and the ECB auctioned another \$15 billion of 28-day funds in conjunction with the April 7 TAF. On March 21 the ECB announced the introduction of a new long-term refinancing operation (LTRO) with a 6-month maturity. Demand at the first LTRO auction on April 2 was high, indicating continued strong demand for term euro funding. The Bank of Canada lowered its policy rate 50 basis points to 3 percent as expected.

Several German landesbanks announced write downs since the March Greenbook, including the second largest landesbank, Bayern LB, which reported a €4.3 billion (\$6.7

billion) write down through the end of March, and WestLB, which reported a write down of €2 billion (\$3.1 billion). A news report released in early April, citing internal documents from the German bank regulator, BaFin, suggested that the regulator's baseline estimate for German bank losses, most of which are expected to be among the landesbanks, will total around €43 billion. Credit Suisse (\$2.9 billion), the Bank of China (\$1.3 billion), UBS (\$19 billion), Deutsche Bank (\$3.9 billion), KfW (\$2.8 billion), and Mizuho (\$5.6 billion) all reported write downs or loss provisions.

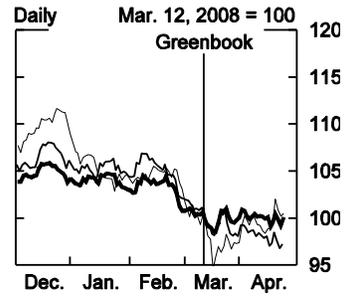
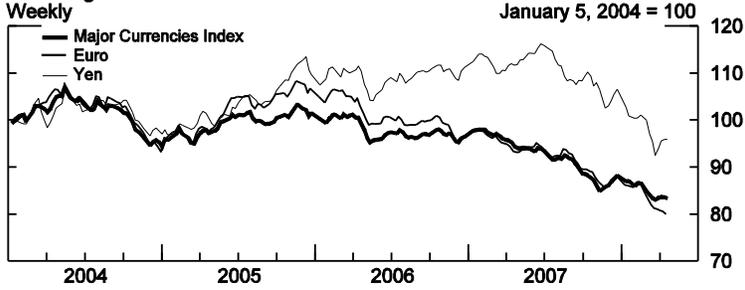
The exchange value of the dollar against its other important trading partners has fallen 1¼ percent since the March Greenbook, as the dollar has depreciated against most Asian and Latin American currencies. The dollar depreciated 1¾ against the renminbi on net as newspaper articles reported that China would use yuan appreciation as one of its major weapons to fight mounting inflation and the PBoC raised reserve requirements by 50 basis points on March 18 and another 50 basis points on April 16. The Shanghai Composite Index dropped 19 percent, continuing its slide since January 2008. The Mexican and Brazilian stock markets rose 9 percent and 5 percent, respectively. The South Korea stock market rose 8½ percent.

Exchange Value of the Dollar and Stock Market Indexes

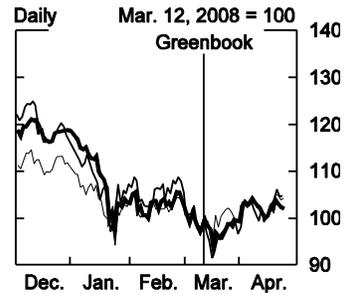
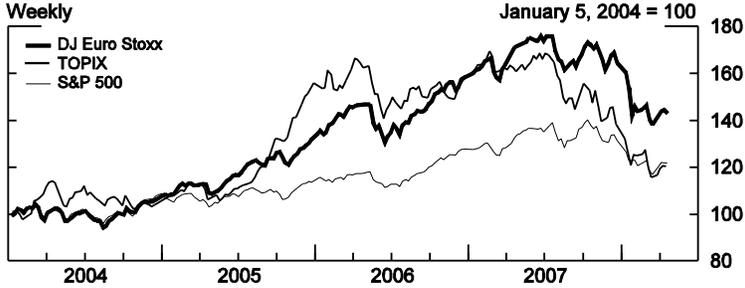
	Latest	Percent change since March Greenbook
<i>Exchange rates*</i>		
Euro (\$/euro)	1.5941	-2.8
Yen (¥/\$)	103.0	0.6
Sterling (\$/£)	1.9825	1.9
Canadian dollar (C\$/\\$)	1.0202	3.1
<i>Nominal dollar indexes*</i>		
Broad index	95.2	-0.5
Major currencies index	70.3	0.1
OITP index	122.4	-1.3
<i>Stock market indexes</i>		
DJ Euro Stoxx	356.9	2.3
TOPIX	1314.4	4.7
FTSE 100	6018.9	4.2
S&P 500	1378.4	4.4

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

Exchange Value of the Dollar



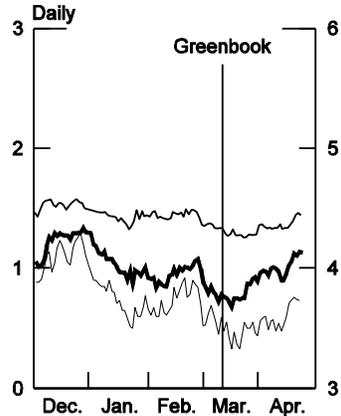
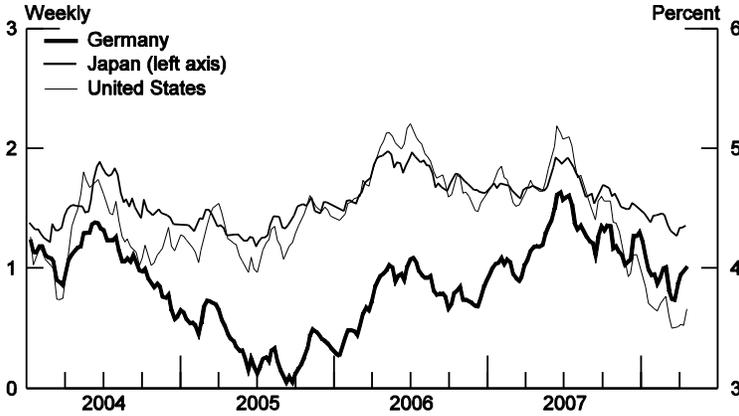
Stock Market Indexes



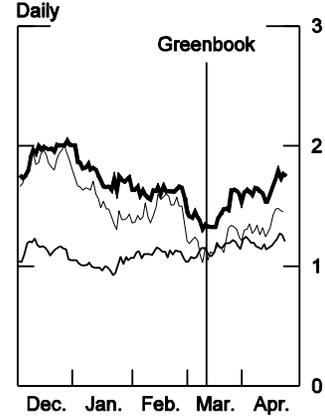
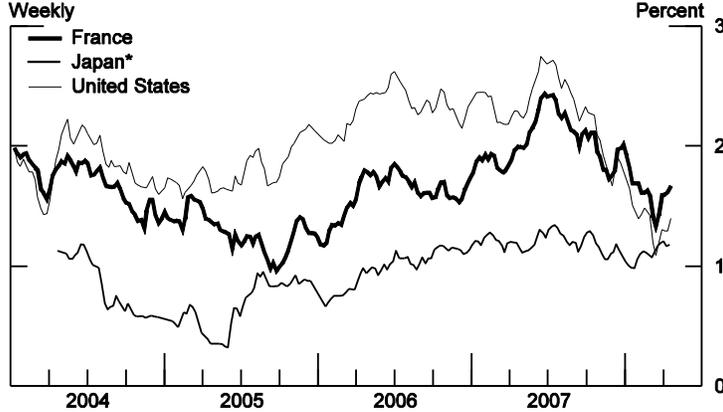
Industrial Countries: Nominal and Real Interest Rates

	3-month LIBOR		10-year nominal		10-year indexed		Percent
	Latest	Change since March Greenbook	Latest	Change since March Greenbook	Latest	Change since March Greenbook	
Germany	4.83	0.23	4.15	0.37	1.79	0.39	
Japan	0.92	-0.06	1.44	0.11	1.21	0.08	
United Kingdom	5.89	0.09	4.67	0.25	1.32	0.20	
Canada	3.50	-0.22	3.65	0.06	...	...
United States	2.92	0.05	3.74	0.14	1.46	0.30	

Nominal 10-Year Government Bond Yields



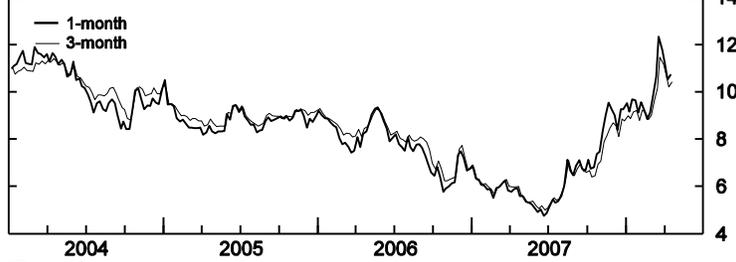
Inflation-Indexed 10-Year Government Bond Yields



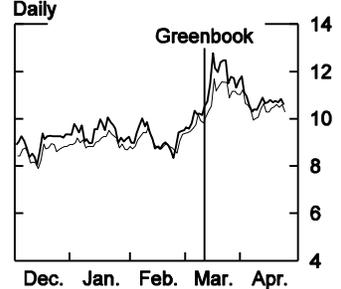
*Japan first issued inflation-indexed debt in March 2004.

Measures of Market Volatility

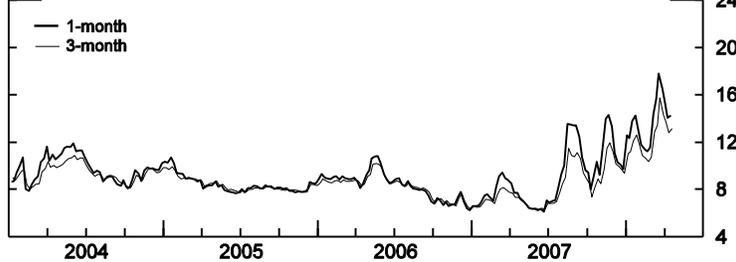
Dollar-Euro Options-Implied Volatility*
Weekly



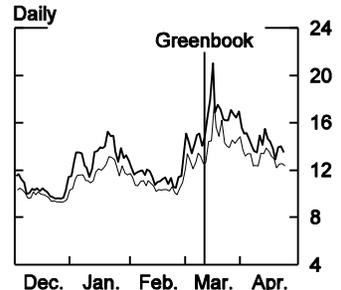
*Derived from at-the-money options.



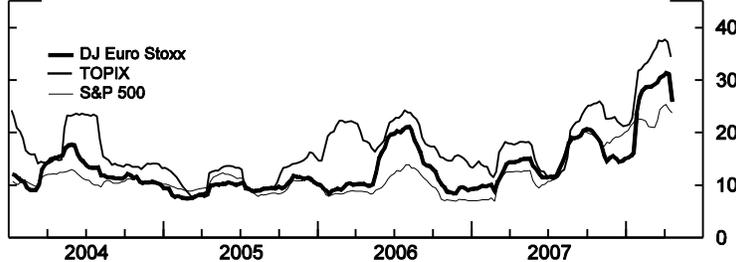
Yen-Dollar Options-Implied Volatility*
Weekly



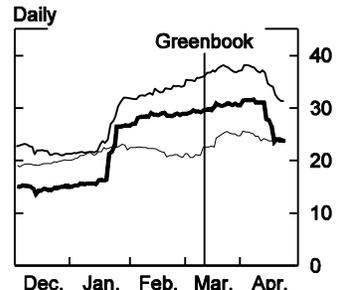
*Derived from at-the-money options.



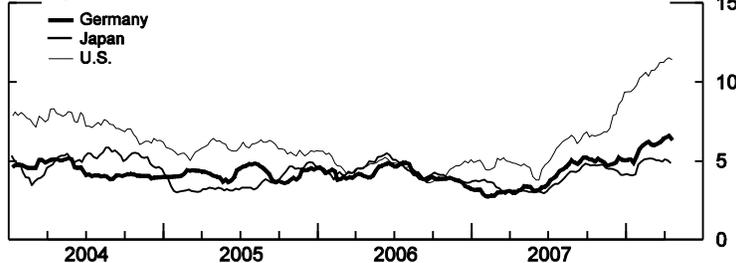
Realized Stock Market Volatility*
Weekly



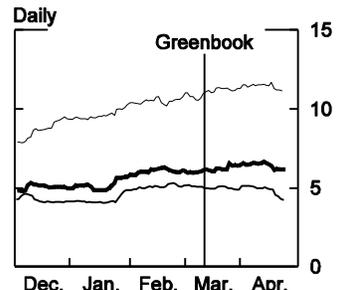
*Annualized standard deviation of 60-day window of daily returns.



Realized 10-Year Bond Volatility*
Weekly



*Annualized standard deviation of 60-day window of daily returns.

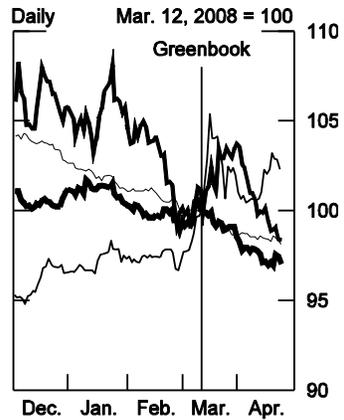
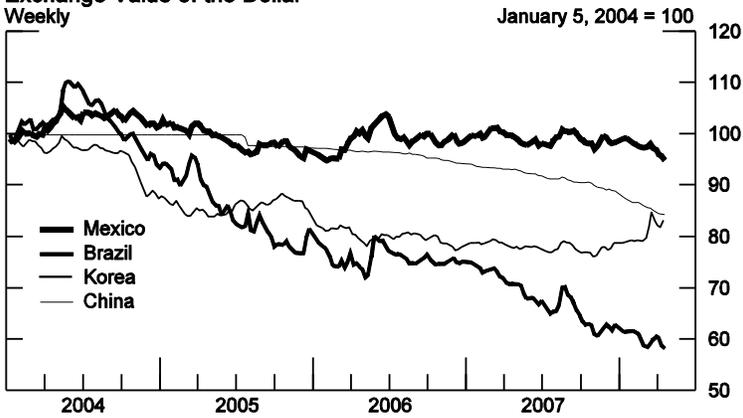


Emerging Markets: Exchange Rates and Stock Market Indexes

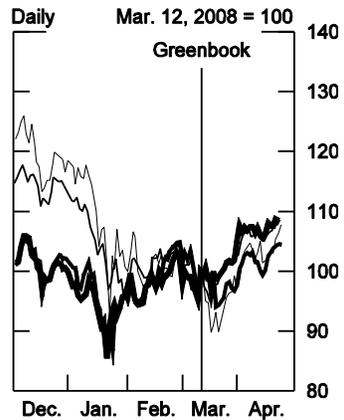
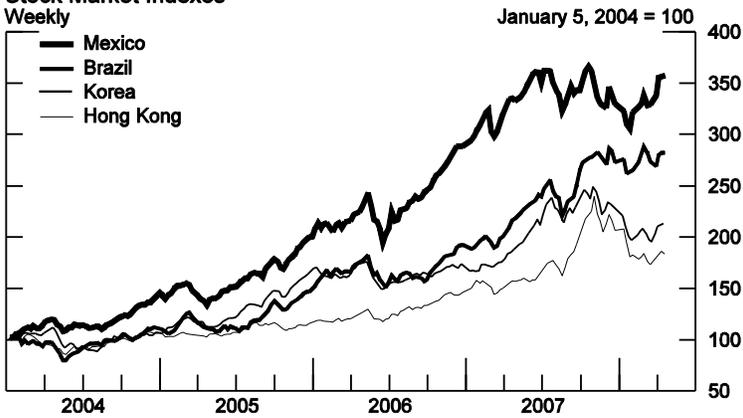
	Exchange value of the dollar		Stock market index	
	Latest	Percent change since March Greenbook*	Latest	Percent change since March Greenbook
Mexico	10.4685	-2.9	32040	8.7
Brazil	1.6540	-1.6	65321	4.7
Venezuela	2.14	-0.1	37929	11.0
China	6.9738	-1.8	3278	-19.5
Hong Kong	7.7949	0.1	25289	8.0
Korea	991.5	2.3	1801	8.6
Taiwan	30.29	-1.3	9008	6.8
Singapore	1.3497	-2.6	940	0.0
Thailand	31.42	-0.4	838	1.3

* 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

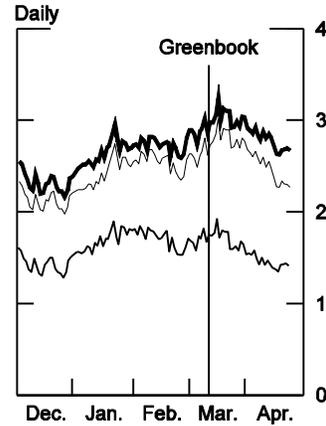
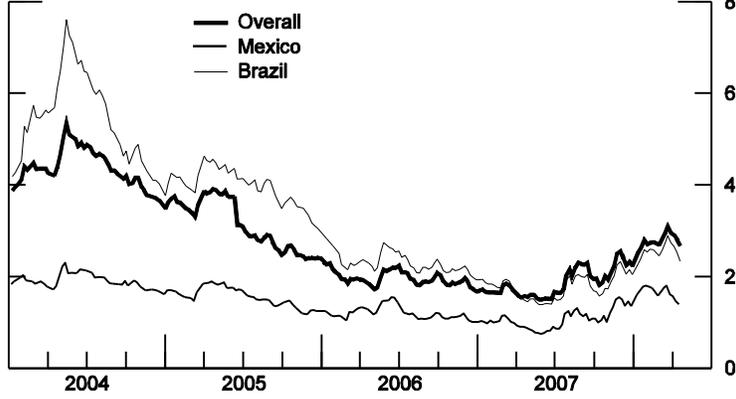
	Short-term interest rates*		Dollar-denominated bond spreads**		Percent
	Latest	Change since March Greenbook	Latest	Change since March Greenbook	
Mexico	7.34	0.00	1.41	-0.26	
Brazil	11.87	0.77	2.28	-0.35	
Argentina	9.88	0.25	5.75	0.81	
China	...	...	1.57	0.32	
Korea	5.10	0.00	...	...
Taiwan	2.58	0.02	...	...
Singapore	3.50	0.00	...	...
Hong Kong	1.66	-0.44	...	...

*One month interest rate except 1-week rate for Korea. No reliable short-term interest rate exists for China.

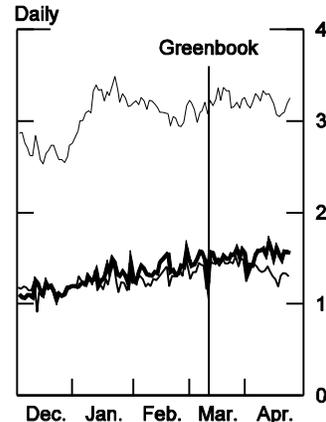
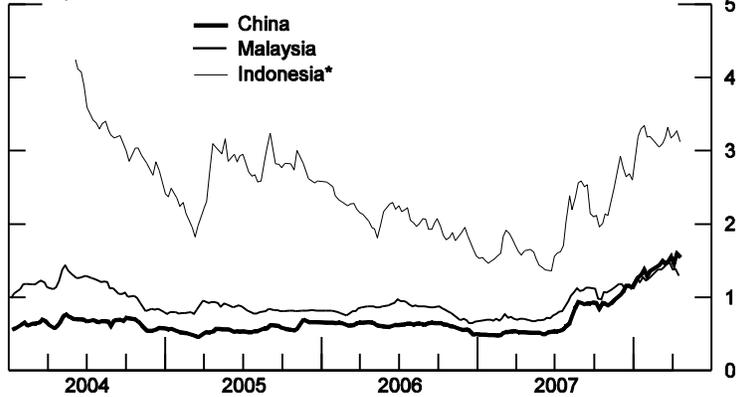
**EMBI+ or EMBI Global Spreads over similar-maturity U.S. Treasuries.

... Korea, Taiwan, Singapore, 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

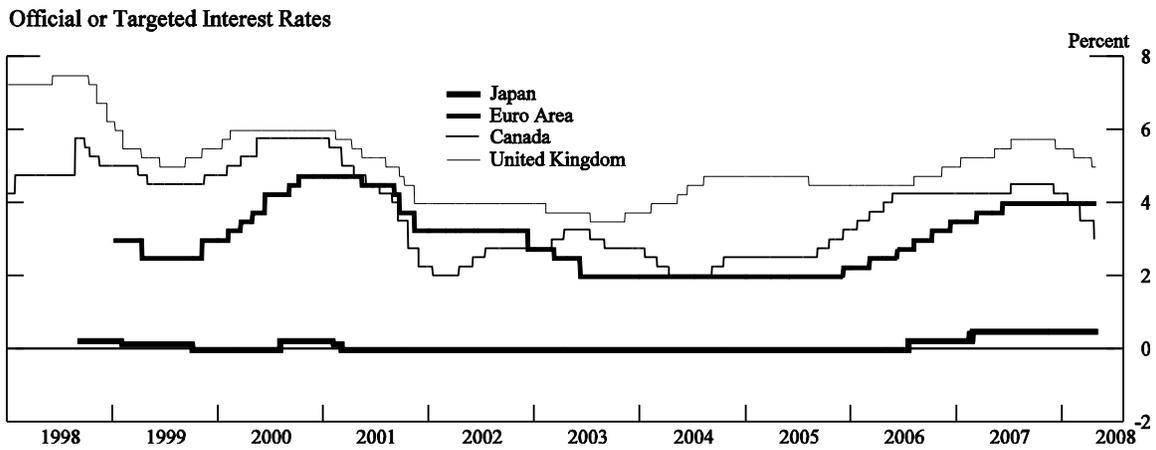
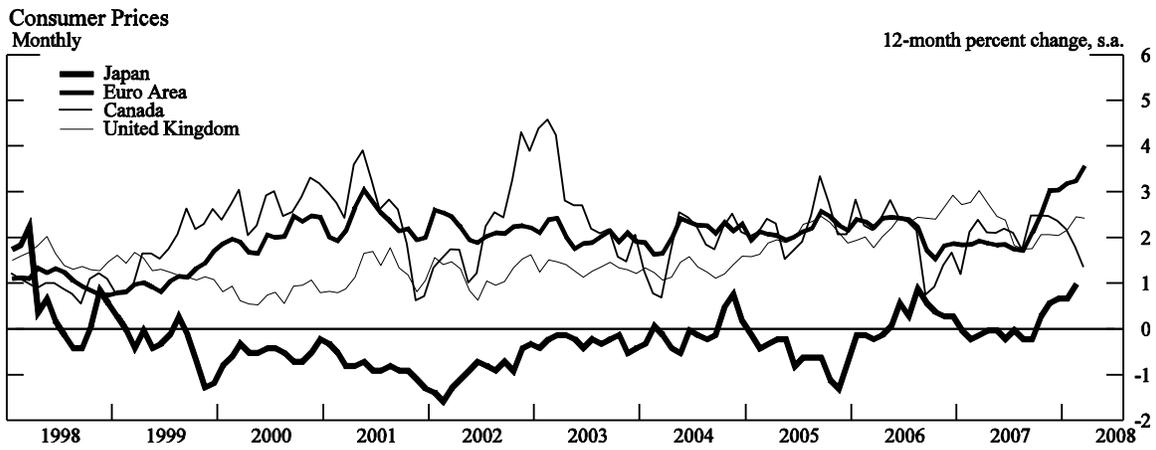
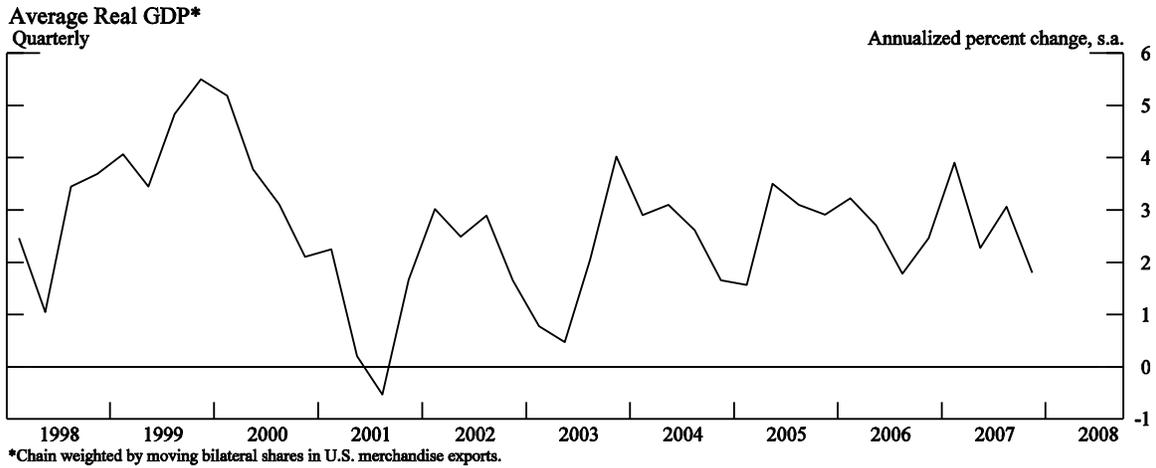
Data released since the time of the March Greenbook point on balance to continued softening of growth in the advanced foreign economies. In Japan, the Tankan survey continues to suggest subdued investment growth. Euro-area retail sales have been flat so far this year, and sentiment and other survey indicators have generally declined further. Credit standards remained tight in Europe in the first quarter, and housing markets in a number of economies, such as Spain, Ireland, and the United Kingdom, continued to weaken. Nevertheless, some upside surprises have materialized. Industrial production in the euro area and retail sales in both the United Kingdom and Canada moved up at a solid pace early in the year. Both the Bank of England and the Bank of Canada continued to ease in response to ongoing concerns about the disruptions in financial markets and their effects on economic activity.

Inflation has continued to move up in most of these economies largely due to the past rise in energy and food prices. The twelve-month rate of inflation moved up over the past two months in Europe, rising to 3.6 percent in the euro area and 2.5 percent in the United Kingdom in March. Japanese inflation rose to 1 percent in February. In contrast, inflation continued to drop in Canada, reaching 1.4 percent in March.

In Japan, the March Tankan survey indicated that business confidence among large manufacturers fell significantly since the previous survey in December amidst higher oil prices, a much stronger yen, concerns about a slowdown of the U.S. economy, and turmoil in financial markets. The decline in business confidence at small- and medium-sized firms also accelerated, as high energy prices and low pricing power continued to lower firms' profitability. All companies lowered their investment plans for FY2007 and are projecting cuts in capital expenditures in FY2008.

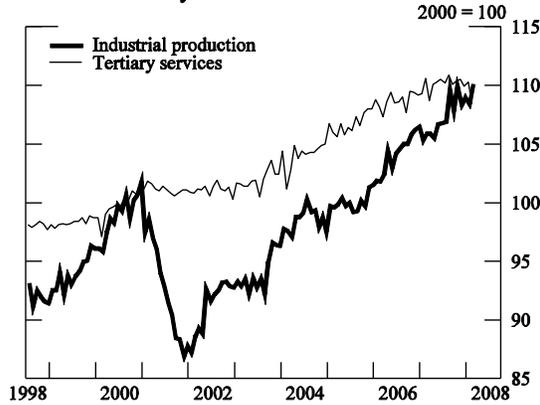
Indicators of production for the first quarter have been weak on balance as well. Shipments and machinery orders were down in the first two months of the year, and inventories rose slightly. Industrial production edged up 0.1 percent on average in January and February relative to the fourth quarter. Real merchandise exports rose 3.3 percent in the first quarter, while real imports were about unchanged. The solid growth in exports so far this year reflects robust demand from Asia and the euro area, while exports to the United States continued to decline.

Advanced Foreign Economies

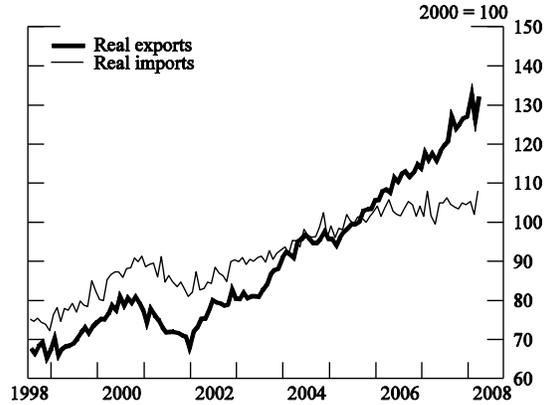


Japan

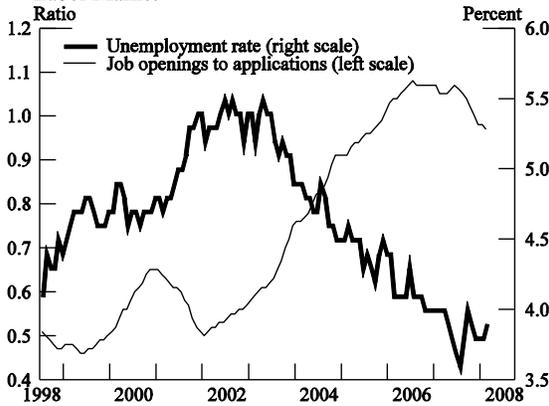
Economic Activity



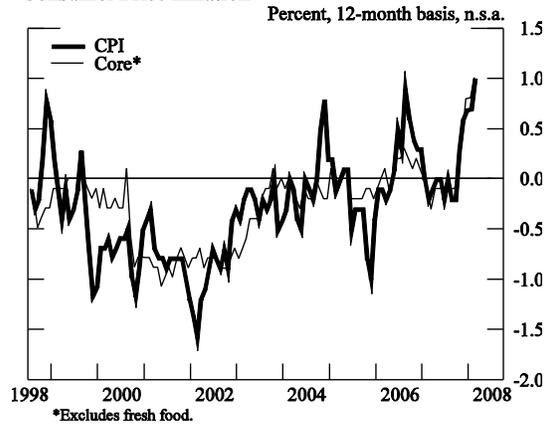
Real Trade



Labor Market



Consumer Price Inflation



Economic Indicators

(Percent change from previous period except as noted, s.a.)

Indicator	2007		2008		2008		
	Q3	Q4	Q1	Dec.	Jan.	Feb.	Mar.
Housing starts	-35.5	18.1	n.a.	9.9	13.0	-3.1	n.a.
Machinery orders ¹	2.5	0.9	n.a.	-3.2	19.6	-12.7	n.a.
Household expenditures	-0.5	0.6	n.a.	1.6	2.5	-2.9	n.a.
New car registrations	1.4	4.7	-1.9	-10.9	10.1	-3.0	-5.0
Business sentiment ²	4.0	2.0	-4.0	...	...	...	...
Wholesale prices ³	1.5	2.4	3.5	2.6	3.1	3.6	3.9

1. Private sector, excluding ships and electric power.

2. Tankan survey, diffusion index. Level.

3. Percent change from year earlier, n.s.a.

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

Although the labor market remains relatively strong overall, there are some signs that employment is weakening. The unemployment rate inched up to 3.9 percent in February, and the job offers-to-applicants ratio (the number of officially posted job openings relative to the number of officially registered job seekers) fell to 0.97, its lowest level in two years. On the other hand, total cash earnings (which include bonuses) rose for a second consecutive month in February, halting more than a year of declines.

The nationwide core consumer price index (excluding fresh food only) rose 1 percent in February from a year earlier. The rise in the index was attributable to an increase in oil prices, as consumer prices excluding fresh food and energy fell 0.1 percent. The core CPI for Tokyo rose 0.6 percent from a year earlier in March.

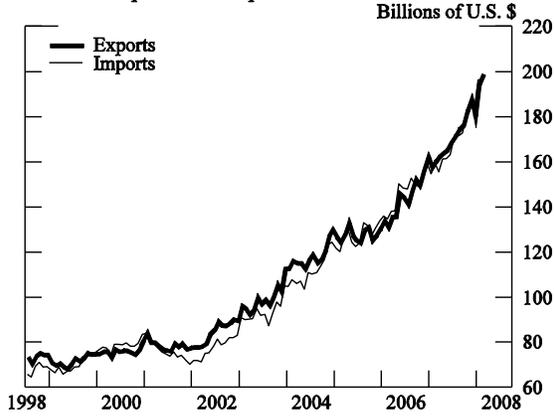
On March 19, Governor Fukui stepped down as the head of the Bank of Japan upon the expiration of his term. Deputy Governor Shirakawa was recently confirmed as the new Governor. At its April meeting, the Bank of Japan unanimously voted to leave its target for the overnight call rate unchanged at 0.5 percent, amid concerns about the economic outlook and the health of financial markets.

In the **euro area**, recent indicators generally point to continuing slowing in economic activity. The slowdown appears to be particularly marked in consumer confidence and spending, as suggested by the 0.5 percent decline in the volume of retail sales in February. Purchasing managers' indexes (PMI) for both manufacturing and services eased a bit in March to levels consistent with subdued growth, and the flash estimate of the manufacturing PMI in April slipped further. The European Commission survey of euro-area economic sentiment fell in March for the tenth consecutive month, with declines in confidence widespread across the consumer, industrial, and construction sectors. However, Germany's IFO business climate index unexpectedly edged up in March, as firms took a slightly less gloomy view of current conditions.

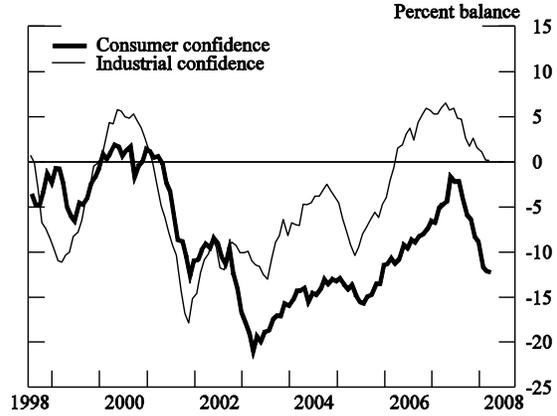
Growth in the euro-area manufacturing sector has slowed, but less sharply than in services, and the most recent manufacturing data have shown some resilience. Euro-area industrial production (excluding construction) rose during the first two months of the year, and new manufacturing orders for capital goods have remained solid. In February, the euro-area unemployment rate stayed at 7.1 percent—the record low set the previous month—as a further tightening of the labor market in Germany offset a rise in joblessness in Spain and Ireland. The unemployment rate has fallen about one percentage point since the second half of 2006.

Euro Area

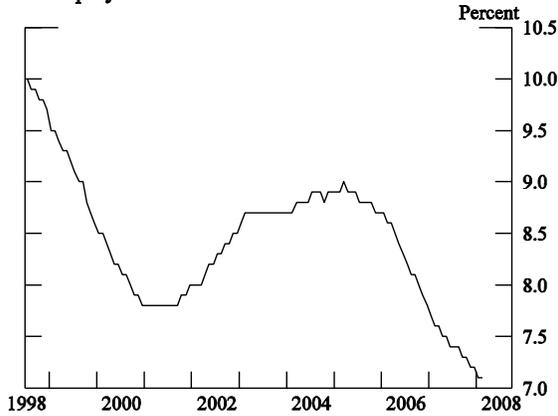
Nominal Exports and Imports



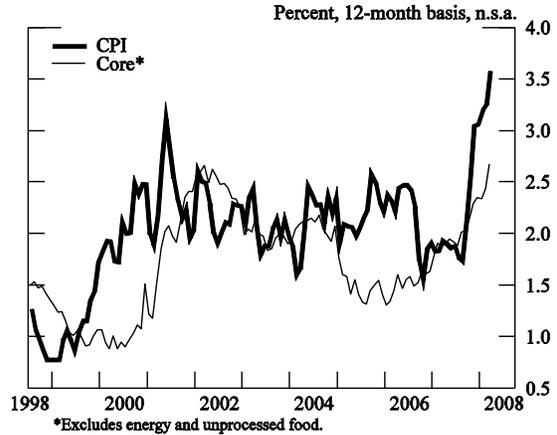
Economic Sentiment



Unemployment Rate



Consumer Price Inflation



Economic Indicators
(Percent change from previous period except as noted, s.a.)

Indicator	2007			2007		2008	
	Q2	Q3	Q4	Nov.	Dec.	Jan.	Feb.
Industrial production ¹	0.5	1.4	0.3	-0.4	0.1	0.6	0.4
Retail sales volume ²	-0.1	0.5	-0.8	-0.6	-0.0	0.6	-0.5
New car registrations	0.3	0.7	1.0	-0.7	2.6	-4.0	5.1
Employment	0.5	0.4	0.2	...	...	...	...
Producer prices ³	2.4	2.1	4.0	4.3	4.4	5.1	5.4
M3 ³	11.0	11.3	11.4	12.4	11.4	11.5	11.3

1. Excludes construction.
 2. Excludes motor vehicles.
 3. Eurostat harmonized definition. Percent change from year earlier, s.a.
 n.a. Not available. ... Not applicable.

Within the euro area, relatively favorable news about the German and French economies increasingly contrasts with unfavorable news about the Italian and Spanish economies. That dichotomy can be seen in PMIs, sentiment surveys, and data on credit growth, spending and external trade. Italian firms are facing pressures from the stronger euro and unit labor costs that have been rising faster than in the euro area as a whole over the past several years. The Spanish economy is suffering the effects of an abrupt slowdown in the housing sector, exacerbated by tighter credit conditions faced by consumers and firms. Spanish approvals for home construction have moved sharply lower, house price growth has slowed markedly, and demand for new homes has weakened considerably.

Driven by higher energy and food prices, the twelve-month rate of euro-area consumer price inflation rose from below 2 percent in August to 3.6 percent in March, the highest rate since euro-area statistics began in January 1997. Excluding energy and unprocessed food prices, inflation in March was 2.7 percent, the highest rate since early 2002.

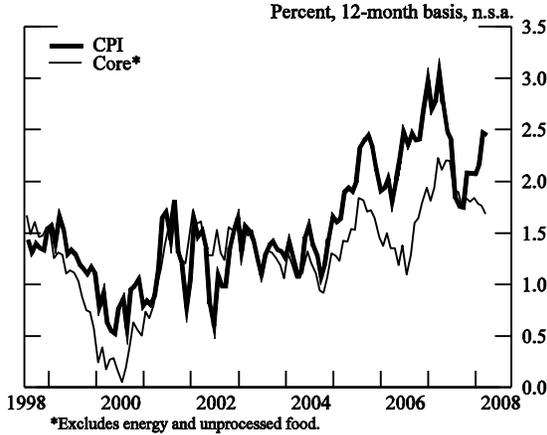
In the **United Kingdom**, data that we have received since the last Greenbook are consistent with the U.K. economy retaining some strength in the first quarter, though more forward-looking indicators point to a softening of real activity in the near term. The volume of retail sales rose roughly 1 percent in both January and February following disappointing end-of-year sales, and the employment rate in January stood 0.2 percentage point higher than it was three months earlier. However, consumer confidence slid close to a five-year low in March as households grew increasingly worried about their personal financial situation and the general economic situation over the next twelve months. Investment intentions in both the manufacturing and services sectors declined further in March, according to the Bank of England Agents' Survey of Business Conditions.

According to the Bank of England's Credit Conditions Survey, lenders reduced the availability of credit "across the full range of their activities to households and corporates" in the three months to mid-March. The tightening of credit conditions was apparent in the housing sector, where the number and value of loans approved for house purchases were nearly 40 percent lower in February than a year earlier. Halifax and Nationwide, two major lenders, reported that house prices were 3 to 4 percent lower in March than at their peak at the turn of 2007.

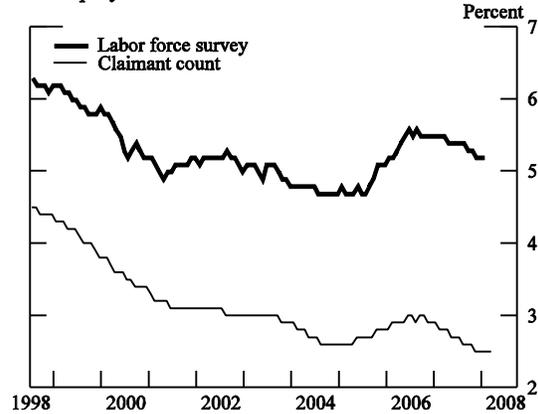
Overall price pressure rose further in the intermeeting period, with both consumers and producers facing higher utility costs. Manufacturers' input prices ramped up 20.4 percent over the year ending in March, their fastest pace of increase in a quarter-century, leading

United Kingdom

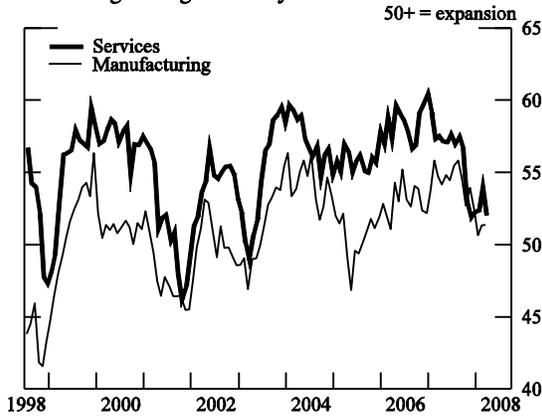
Consumer Price Inflation



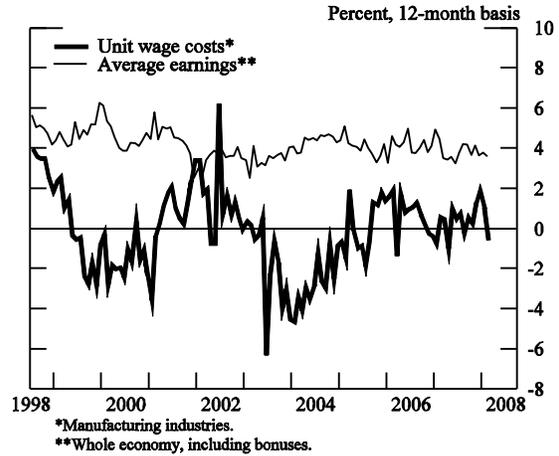
Unemployment Rates



Purchasing Managers Survey



Labor Costs



Economic Indicators
(Percent change from previous period except as noted, s.a.)

Indicator	2007		2008		2008		
	Q3	Q4	Q1	Dec.	Jan.	Feb.	Mar.
Producer input prices ¹	2.7	10.7	19.7	12.2	18.9	19.7	20.6
Industrial production	-0.3	0.3	n.a.	0.0	-0.1	0.3	n.a.
Business confidence ²	13.3	7.3	12.7	3.0	9.0	11.0	18.0
Consumer confidence ²	-2.5	-3.8	-8.6	-5.0	-7.2	-8.8	-9.8
Trade balance ³	-27.4	-26.7	n.a.	-8.4	-9.9	-8.7	n.a.
Current account ³	-38.5	-17.3	n.a.	...	...	...	...

1. Percent change from year earlier.
 2. Percent balance. 3. Level in billions of US Dollars.
 n.a. Not available. ... Not applicable.

manufacturers to increase their output prices 6.2 percent over the same period. Headline consumer price inflation was unchanged at 2.5 percent in March after rising sharply in February as a result of higher electricity and natural gas prices. Median inflation expectations over the coming twelve months, as measured by a Bank of England survey, rose to 3.3 percent in the first quarter, the highest value since the survey began in 1999.

On April 10, the Bank of England lowered the official interest rate to 5 percent, its third cut since December. The Committee noted that the “prospects for output growth abroad [had] deteriorated” and that business surveys suggested that “a margin of spare capacity [would] emerge during this year.”

In **Canada**, data for the first quarter continue to indicate a substantial drag from exports and an expansion of domestic demand. Real exports rose in January and February, but remained below their average levels in the fourth quarter. Real imports also fell because of declines in both machinery and equipment and consumer goods excluding automotive products. The volume of retail sales grew 1 percent in January, likely boosted by a reduction in the sales tax, following solid fourth-quarter growth.

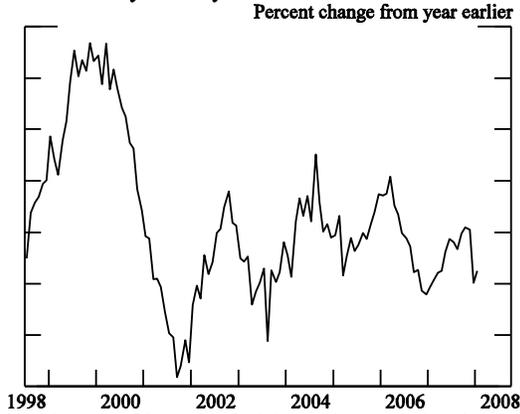
Although, employment increased substantially in the first quarter (adding an additional 86,000 jobs), actual hours worked fell 0.2 percent over the quarter. Weather-related disruptions may have contributed to the fall in hours. The twelve-month growth rate of nominal wages was 4.7 percent in March, down slightly from 4.9 percent in January.

The twelve-month rate of consumer price inflation fell more than $\frac{3}{4}$ percentage point from January to March, when it was 1.4 percent. Core inflation, which excludes the eight most volatile components and the effects of changes in indirect taxes, edged down to 1.3 percent, well below the 2.5 percent rate seen in the summer of 2007. Although disinflation is apparent across a broad range of Canadian goods, a 7.1 percent fall in the prices for purchasing and leasing vehicles subtracted 0.5 percentage points from the twelve-month rate of headline inflation. Food prices rose only 0.4 percent over the same period, in contrast with many other countries around the globe.

The Bank of Canada cut its target for the overnight rate by 50 basis points to 3 percent at its April meeting. The Bank cited concerns over weakness in the global economy, reflecting a sharp slowdown in the United States and ongoing financial turbulence.

Canada

Real GDP by Industry*

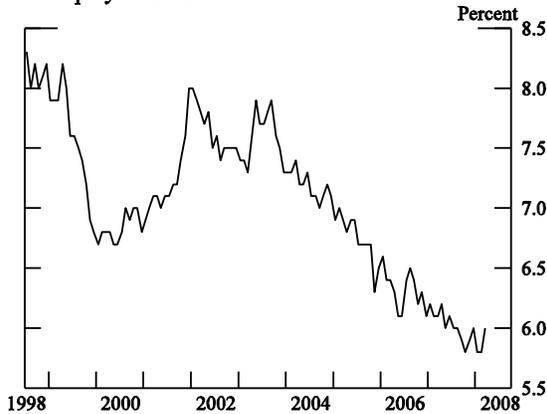


*Constructed from various Statistics Canada surveys and supplements the quarterly income and expenditure-based estimates.

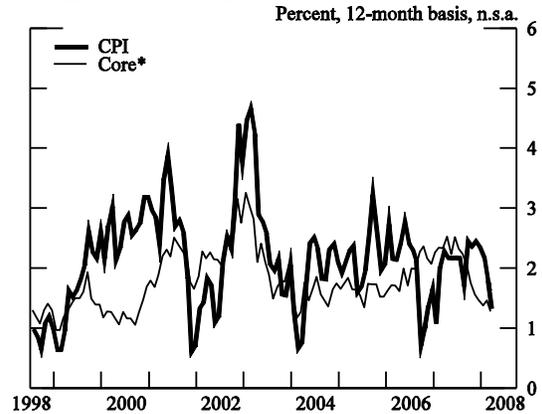
Real Trade



Unemployment Rate



Consumer Price Inflation



*Excludes 8 most volatile components and the effects of changes in indirect taxes.

Economic Indicators
(Percent change from previous period except as noted, s.a.)

Indicator	2007		2008	2008			
	Q3	Q4	Q1	Dec.	Jan.	Feb.	Mar.
Industrial production	-0.4	-1.2	n.a.	-2.5	1.1	n.a.	n.a.
New manufacturing orders	-1.7	-0.2	n.a.	-11.2	1.9	1.6	n.a.
Retail sales	0.3	1.5	n.a.	0.7	1.0	n.a.	n.a.
Employment	0.4	0.7	0.5	-0.0	0.3	0.3	0.1
Consumer attitudes ¹	100.7	97.3	93.4	...	...	...	...
Business confidence ¹	101.6	101.0	n.a.	...	...	...	...

1. 2002=100.
n.a. Not available. ... Not applicable.

Economic Situation in Other Countries

Recent indicators for emerging market economies generally point towards a moderation in activity, but growth remains robust. Except for China and Malaysia, available data indicate that trade balances continued to decline in emerging market economies. In many cases, softer growth of exports has been accompanied by strong growth of imports, suggesting that domestic demand has yet to slow significantly. Headline inflation posted additional increases in most of the developing world, largely owing to rising food and energy prices. Readings for core inflation have also shot up in a number of countries. Since the March Greenbook, authorities in China, India, Singapore, Taiwan, and Brazil have tightened monetary conditions.

In **China**, staff estimates that real GDP grew at a surprisingly strong 10.8 percent (s.a.a.r.) in the first quarter. Data on retail sales and fixed asset investment suggest that domestic demand has strengthened further; retail sales in the first quarter were up more than 20 percent from their year-earlier levels, and nominal fixed asset investment was up nearly 25 percent. However, external demand continued to weaken, as indicated by a further deceleration of the value of exports in the first quarter. Despite the slowing of exports, the trade surplus in the first quarter increased—albeit only a little—as imports decelerated more than exports.

Twelve-month consumer price inflation moderated somewhat, to about 8¼ percent in March, due to some deceleration in food prices. Food price inflation, however, remains elevated. In mid-March, the People's Bank of China (PBOC) raised the required reserve ratio (RRR) for banks by ½ percentage point, and this ratio was raised again in mid-April by another ½ percentage point immediately following the first-quarter GDP data release. The latest increase, the sixteenth since the middle of 2006, brings the RRR to 16 percent for large banks. Twelve-month growth of money supply and credit both decreased significantly in March. Despite more RMB appreciation against the dollar in recent months, the PBOC has continued to accumulate international reserves at a rapid rate; reserves reached nearly \$1.7 trillion in March, up about \$150 billion so far this year.

Chinese Economic Indicators
(Percent change from previous period, s.a., except as noted)

Indicator	2006	2007	2007	2008			
			Q4	Q1	Jan.	Feb.	Mar.
Real GDP ¹	10.5	11.2	9.6	10.8	...	...	...
Industrial production ²	14.6	18.6	3.3	...	...	...	8.1
Consumer prices ³	2.8	6.5	6.6	8.0	7.1	8.7	8.3
Merch. trade balance ⁴	177.5	262.0	250.2	254.9	291.5	230.4	242.9

1. Annual rate. Quarterly data estimated by staff from reported four-quarter growth rates. Annual data are Q4/Q4.

2. China no longer reports a January IP number, which means that period/period changes cannot be computed for Jan. and Feb.

3. Percent change from year-earlier period, except annual data, which are Dec./Dec.

4. Billions of U.S. dollars, annual rate. Imports are c.i.f.

... Not applicable.

Industrial production in **India** rebounded in February, more than reversing its January decline, reflecting improvements in the mining and electricity sectors. The current account deficit widened to 1.7 percent of GDP in the fourth quarter of 2007, largely reflecting an increase in the merchandise trade deficit. In the first two months of 2008, the trade deficit remained elevated, with both exports and imports growing more than 30 percent from the year earlier. Consumer price inflation held relatively constant in February, as did wholesale price inflation. In March, however, wholesale inflation rose to a twelve-month rate of 6.4 percent from the 4.7 percent reading for February, suggesting that consumer price inflation will rise as well. This increase largely reflects higher food prices and a recent government decision to pass through more of the rise in oil prices. The government has recently adopted measures to stem inflation, including an export ban on non-basmati rice and a reduction of the import duty on edible oils. The central bank raised banks' required cash reserve ratio ½ percentage point to 8 percent in mid-April.

Indian Economic Indicators
(Percent change from previous period, s.a., except as noted)

Indicator	2006	2007	2007	2008			
			Q4	Q1	Jan.	Feb.	Mar.
Real GDP ¹	9.1	8.4	2.7	n.a.	...	...	...
Industrial production	10.5	9.9	2.1	n.a.	-1.2	2.6	n.a.
Consumer prices ²	6.5	5.5	5.5	n.a.	4.6	4.5	n.a.
Wholesale prices ²	5.7	3.8	3.4	5.3	4.5	4.9	6.4
Merch. trade balance ³	-53.1	-70.1	-75.0	n.a.	-113.2	-70.9	n.a.
Current account ⁴	-9.5	-11.8	-21.5	n.a.	...	...	...

1. Annual rate. Annual data are Q4/Q4.

2. Percent change from year-earlier period, except annual data, which are Dec./Dec.

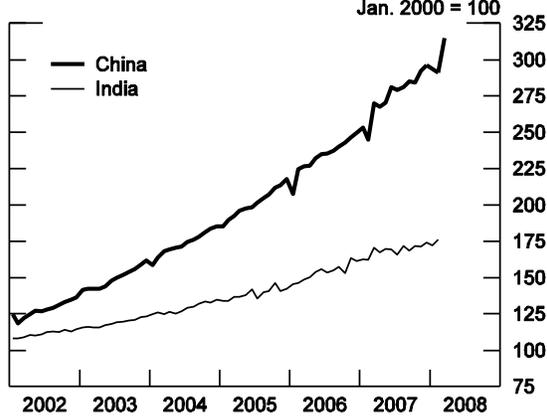
3. Billions of U.S. dollars, annual rate.

4. Billions of U.S. dollars, n.s.a., annual rate.

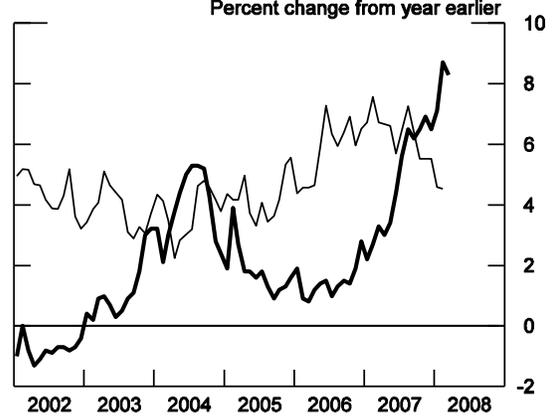
n.a. Not available. ... Not applicable.

China and India

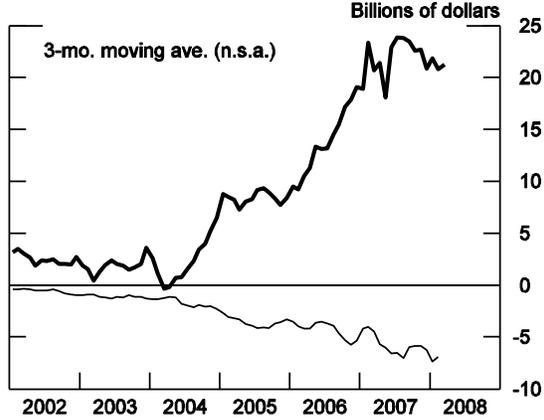
Industrial Production



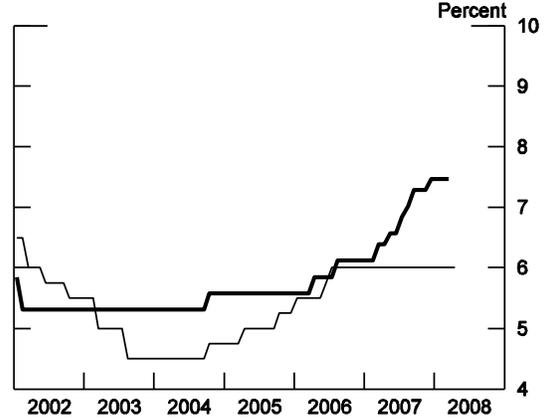
Consumer Prices



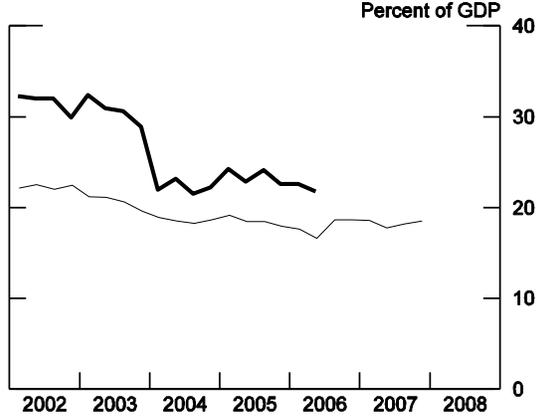
Merchandise Trade Balances



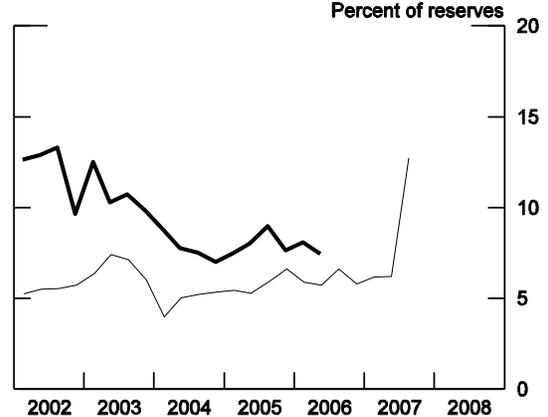
Benchmark Interest Rates



Gross External Debt



Short-Term External Debt



With the exception of Singapore, incoming data point to a moderation of activity in the first quarter across the NIEs.¹ After rebounding in January, industrial production fell in February, and trade balances so far this year generally continued to decline. Consumer sentiment weakened in South Korea, and Taiwan's leading economic index continued to fall. In Singapore, however, activity in the volatile biomedical sector rebounded sharply from a contraction in the previous quarter, which we estimate propelled real GDP growth into double-digit territory in the first quarter.

Twelve-month consumer price inflation remained elevated, owing mainly to higher food and, in some cases, energy prices. Inflation concerns prompted central banks in Singapore and Taiwan to tighten monetary policy. In mid-April, the Monetary Authority of Singapore (MAS) announced an upward shift of the exchange rate policy band to allow a more rapid appreciation of the Singapore dollar. The central bank of Taiwan raised its benchmark interest rate 12½ basis points to 3.5 percent.

In Taiwan, the opposition party's (KMT) candidate Ma Ying-Jeou won the presidential election. His victory is expected to strengthen economic and political ties between Taiwan and mainland China. In Korea, the conservative Grand National Party of newly elected President Lee Myung-bak won the majority of seats in the parliamentary elections, which should facilitate the implementation of his economic reforms.

NIEs Economic Indicators: Growth
(Percent change from previous period, s.a., except as noted)

Indicator	2006	2007	2007			2008	
			Q3	Q4	Dec.	Jan.	Feb.
<i>Real GDP¹</i>							
Hong Kong	7.2	n.a.	5.8	n.a.	...	...	...
Korea	4.2	5.9	6.0	6.4	...	...	...
Singapore	7.0	5.5	5.1	-4.8	...	...	...
Taiwan	4.0	6.4	11.3	2.5	...	...	...
<i>Industrial production</i>							
Hong Kong	2.4	-1.6	-1.2	1.7	...	...	...
Korea	8.8	7.0	2.5	3.2	-2	1.9	-2
Singapore	11.9	5.8	5.0	-7.2	-2.7	10.8	-2.3
Taiwan	5.0	8.1	3.1	1.3	-2.1	5.4	-3.0

1. Annual rate. Annual data are Q4/Q4.
n.a. Not available. ... Not applicable.

¹ Newly-industrialized economies: Hong Kong, South Korea, Singapore, and Taiwan

NIEs Economic Indicators: Merchandise Trade Balance
(Billions of U.S. dollars, s.a.a.r.)

Indicator	2006	2007	2007	2008			
			Q4	Q1	Jan.	Feb.	Mar.
Hong Kong	-17.9	-23.5	-29.6	n.a.	-20.8	-15.9	n.a.
Korea	27.9	29.4	23.2	n.a.	-10.9	1.6	n.a.
Singapore	33.1	36.2	25.1	23.0	39.8	20.7	8.4
Taiwan	11.6	16.8	22.1	.7	7.2	6.2	-11.4

n.a. Not available.

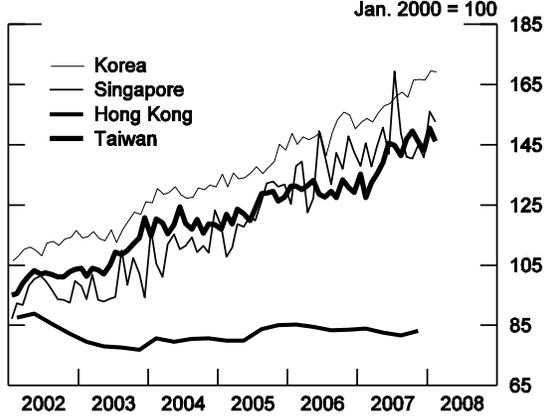
NIEs Economic Indicators: CPI Inflation
(Percent change from year earlier, except as noted)

Indicator	2006 ¹	2007 ¹	2007	2008			
			Q4	Q1	Jan.	Feb.	Mar.
Hong Kong	2.3	3.8	3.5	4.5	3.0	6.5	4.1
Korea	2.1	3.6	3.4	3.8	3.9	3.6	4.0
Singapore	.8	4.4	4.1	n.a.	6.6	6.5	n.a.
Taiwan	.7	3.3	4.5	3.6	2.9	3.9	4.0

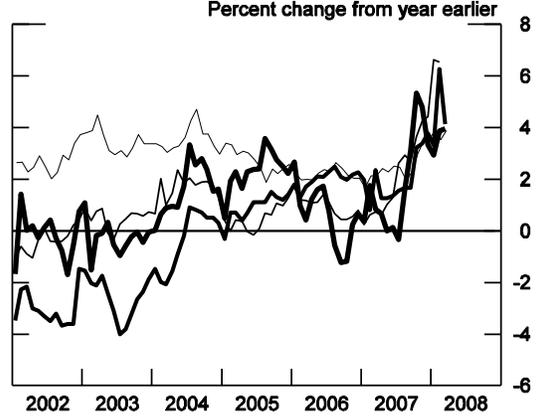
1. Percent change from year-earlier period, except annual data, which are Dec./Dec
n.a. Not available.

NIEs

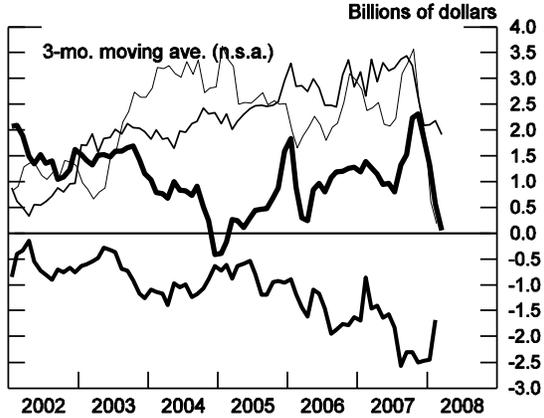
Industrial Production



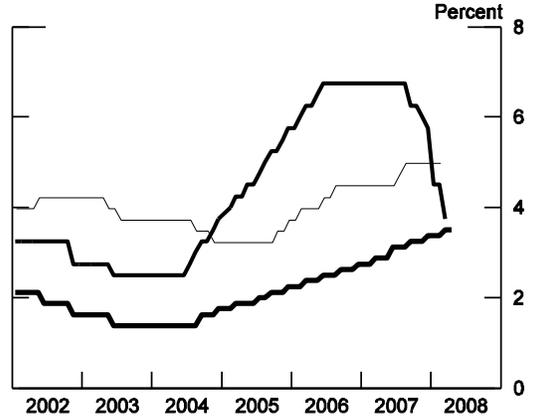
Consumer Prices



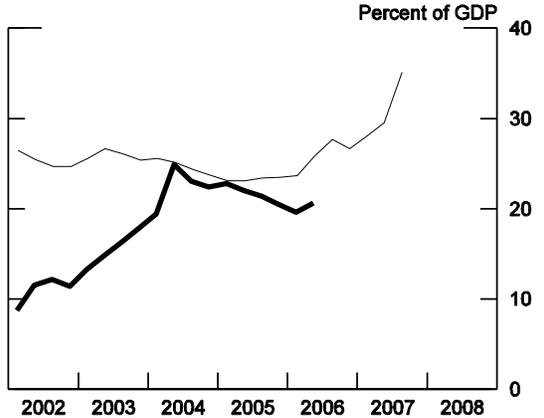
Merchandise Trade Balances



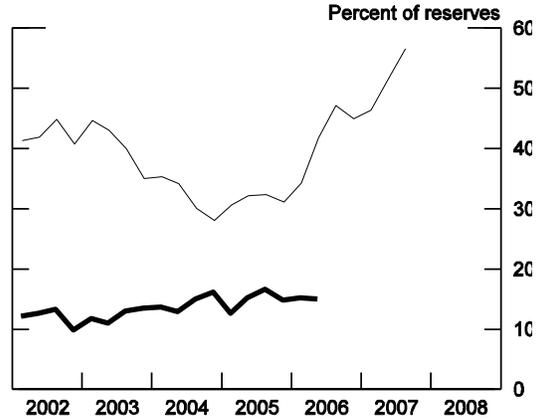
Benchmark Interest Rates



Gross External Debt



Short-Term External Debt



Incoming data from the **ASEAN-4** have been mixed. February industrial production readings indicate slowing and in some cases contraction. Countries in the region generally experienced slowdowns in their exports, although, in Malaysia, exports reached a 15-month high in February due to strong fuel and palm oil exports. On the positive side, despite weakening demand in Europe and the United States, domestic consumption continued to support economic activity. For example, retail sales in Indonesia increased significantly over the first two months, and anecdotal evidence points towards similar patterns in the other countries. Across the region, increased food and energy prices continued to push consumer price inflation higher.

ASEAN-4 Economic Indicators: Growth
(Percent change from previous period, s.a., except as noted)

Indicator	2006	2007	2007			2008	
			Q3	Q4	Dec.	Jan.	Feb.
<i>Real GDP¹</i>							
Indonesia	5.9	6.2	9.3	5.7	...	...	...
Malaysia	5.8	7.4	8.9	8.1	...	...	...
Philippines	5.5	7.3	4.0	7.4	...	...	...
Thailand	4.3	5.8	6.1	7.3	...	...	...
<i>Industrial production²</i>							
Indonesia ³	-1.6	5.2	.4	-.5	-1.9	.8	-.8
Malaysia	4.6	2.3	1.0	1.7	1.4	1.2	-1.4
Philippines	-8.5	-3.2	2.0	1.6	4.4	-.4	n.a.
Thailand	7.4	8.2	4.7	4.0	-.4	3.2	.3

1. Annual rate. Annual data are Q4/Q4.

2. Annual data are annual averages.

3. Staff estimate.

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

ASEAN-4 Economic Indicators: Merchandise Trade Balance
(Billions of U.S. dollars, s.a.a.r.)

Indicator	2006	2007	2007			2008	
			Q3	Q4	Dec.	Jan.	Feb.
Indonesia	39.7	39.6	37.5	36.9	38.8	18.9	12.6
Malaysia	29.5	29.2	33.2	28.1	30.5	34.8	39.0
Philippines	-4.4	-5.2	-8.0	-9.5	-9.4	-10.9	n.a.
Thailand	1.0	12.0	7.1	11.9	5.7	12.6	-13.2

n.a. Not available.

ASEAN-4 Economic Indicators: CPI Inflation
(Percent change from year earlier, except as noted)

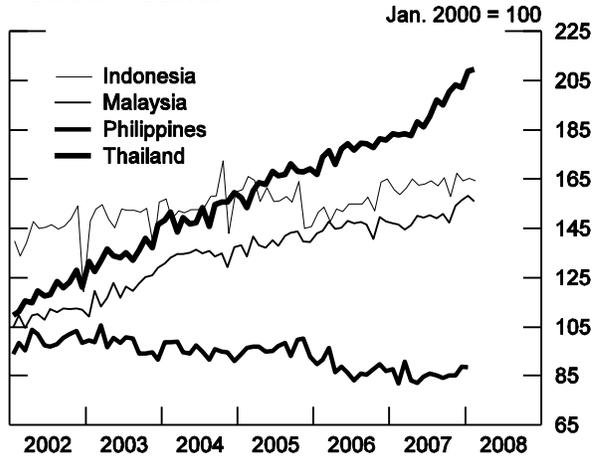
Indicator	2006 ¹	2007 ¹	2007	2008			
			Q4	Q1	Jan.	Feb.	Mar.
Indonesia	6.5	6.5	6.7	7.6	7.3	7.4	8.1
Malaysia	3.1	2.4	2.2	n.a.	2.3	2.7	n.a.
Philippines	4.3	3.9	3.3	5.5	4.9	5.4	6.4
Thailand	3.5	3.2	2.9	5.0	4.3	5.4	5.3

1. Dec./Dec.

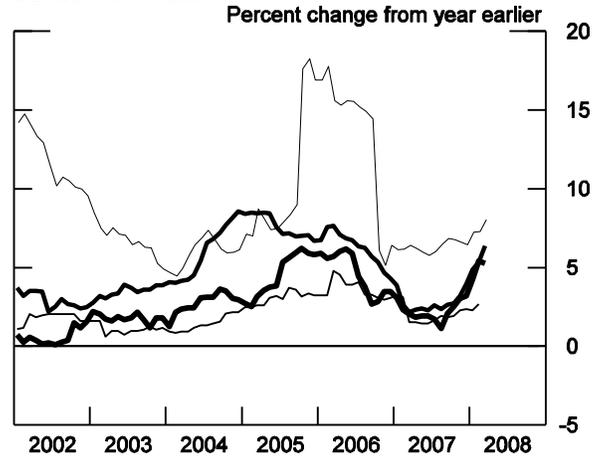
n.a. Not available.

ASEAN-4

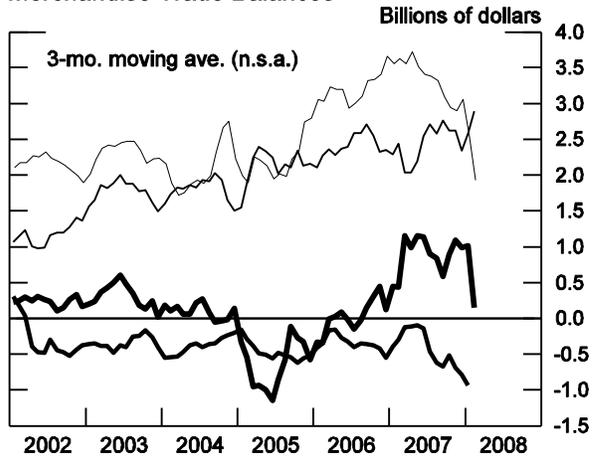
Industrial Production



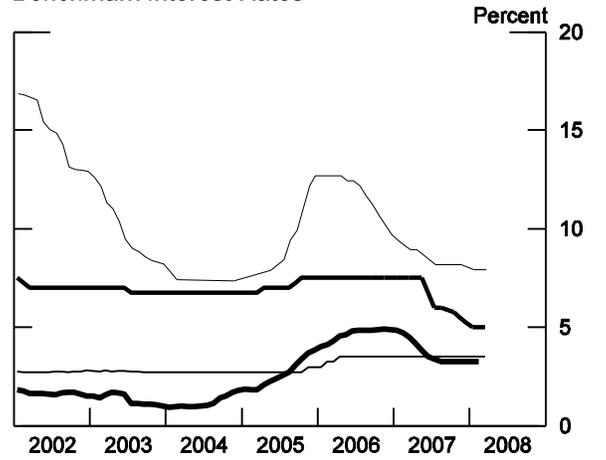
Consumer Prices



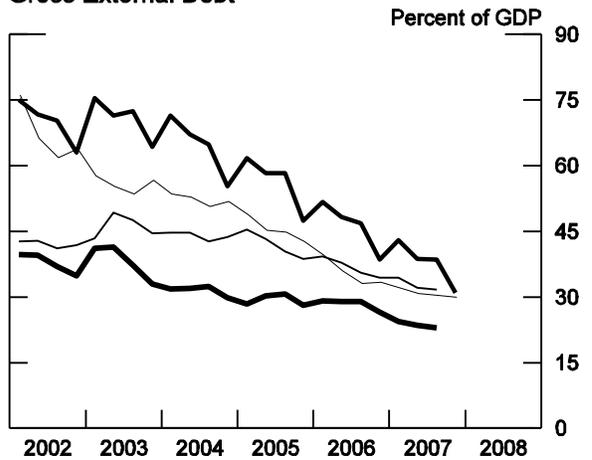
Merchandise Trade Balances



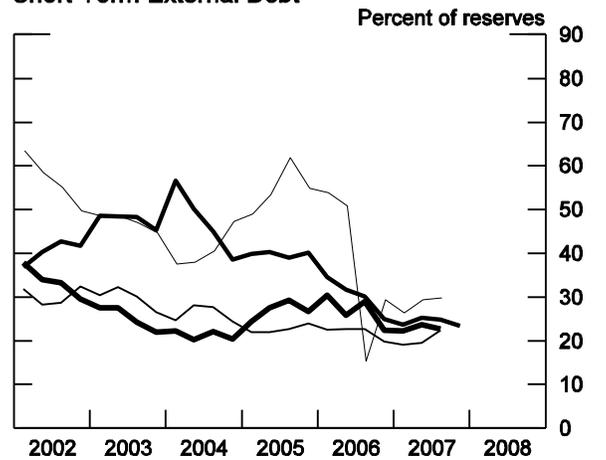
Benchmark Interest Rates



Gross External Debt



Short-Term External Debt



Recent indicators in **Mexico** have been mixed. After signs of slowing during the fourth quarter of 2007, industrial production rebounded in January but contracted in February. Retail and wholesale sales posted strong gains over the same period, and both business and residential investment registered large increases in January. Preliminary indicators of manufacturing activity, however, point towards weakness in March. During the first two months of 2008, the trade deficit widened, reflecting stronger imports for intermediate inputs and capital goods together with softer export. Headline inflation in March reached 4¼ percent, outside the range targeted by the central bank. Both food and core inflation continue to put upward pressures on consumer prices.

Mexican Economic Indicators
(Percent change from previous period, s.a., except as noted)

Indicator	2006	2007	2007	2008			
			Q4	Q1	Jan.	Feb.	Mar.
Real GDP ¹	4.3	3.8	3.0	n.a.	...	...	...
Overall economic activity	5.0	3.3	.4	n.a.	.9	n.a.	n.a.
Industrial production	5.1	1.3	.0	n.a.	.8	-.7	n.a.
Unemployment rate ²	3.6	3.7	3.8	3.7	3.8	3.7	3.7
Consumer prices ³	4.1	3.8	3.8	3.9	3.7	3.7	4.3
Merch. trade balance ⁴	-6.1	-11.2	-6.5	n.a.	-22.1	-29.7	n.a.
Merchandise imports ⁴	256.1	283.2	294.6	n.a.	314.4	317.1	n.a.
Merchandise exports ⁴	249.9	272.0	288.0	n.a.	292.3	287.4	n.a.
Current account ⁵	-2.1	-7.3	-8.5	n.a.	...	...	...

1. Annual rate. Annual data are Q4/Q4.

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

3. 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, n.s.a., annual rate.

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

In **Brazil**, recent data suggest that activity moderated in the first quarter. Both industrial production and retail sales declined in February, although vehicle sales were strong. Capacity utilization rates have tapered off, but remain elevated. The current account deficit continued to widen on average in the first two months of 2008, with imports increasing rapidly and exports slowing some. Capital goods imports have leveled off in recent months, but were still up by over 50 percent from their year-earlier levels.

Inflation has increased over the past year, reaching 4.7 percent over the twelve months ending in March. Food prices contributed the most to the increase in inflation, and core

inflation (which excludes food and energy and other government-administered prices) rose to nearly 4½ percent. In a surprise move, the Brazilian central bank raised its policy rate 50 basis points to 11.75 percent; most analysts expected a 25-basis-points hike. In its statement, the central bank explained this decision as an attempt to preempt additional inflationary pressures that could result in the need for more extensive monetary tightening.

Brazilian Economic Indicators
(Percent change from previous period, s.a., except as noted)

Indicator	2006	2007	2007	2008			
			Q4	Q1	Jan.	Feb.	Mar.
Real GDP ¹	4.9	6.1	6.6	n.a.	...	...	...
Industrial production	2.8	6.0	1.8	n.a.	1.7	-5	n.a.
Unemployment rate ²	10.0	9.3	8.5	n.a.	8.4	8.6	n.a.
Consumer prices ³	3.3	4.5	4.3	4.6	4.5	4.6	4.7
Merch. trade balance ⁴	46.5	40.0	33.9	22.3	30.8	19.2	17.0
Current account ⁵	13.6	1.5	-7.4	n.a.	-50.8	-25.1	n.a.

1. Annual rate. Annual data are Q4/Q4.

2. Percent.

3. 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, n.s.a., annual rate.

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

Real GDP growth in **Argentina** continued to be strong in the fourth quarter of 2007, posting an increase of 8 percent (s.a.a.r.). For the year as a whole, the economy grew 9.2 percent, marking the fifth consecutive year of extraordinary growth. The increase in commodity prices in international markets continues to provide stimulus to agricultural production and exports. During the first two months of 2008, the trade surplus has widened, despite a substantial increase in imports. In an attempt to reduce upward pressures on domestic food prices, the government recently raised export taxes on several agricultural products, including soybean, grains and oilseeds. Consumer prices in the first quarter of 2008 increased 8.5 percent from a year earlier, amid large increases in services prices such as housing, transportation and health. Allegations that authorities understate the rate of inflation continue.

Argentine Economic Indicators
(Percent change from previous period, s.a., except as noted)

Indicator	2006	2007	2007	2008			
			Q4	Q1	Jan.	Feb.	Mar.
Real GDP ¹	8.5	9.2	8.0	n.a.	...	...	...
Industrial production	8.4	7.5	4.0	n.a.	-1	-1.9	n.a.
Unemployment rate ²	10.2	8.5	7.5	n.a.	...	...	...
Consumer prices ³	9.7	8.4	8.4	8.5	8.2	8.4	8.8
Merch. trade balance ⁴	12.3	11.2	15.8	n.a.	17.0	14.4	n.a.
Current account ⁵	7.7	7.2	12.6	n.a.	...	...	...

1. Annual rate. Annual data are Q4/Q4.

2. Percent; n.s.a.

3. 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, n.s.a., annual rate.

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

In **Venezuela**, private manufacturing activity moderated in January and the unemployment rate increased to 8.7 percent. Consumer price inflation continued to increase in the first quarter, reaching nearly 28 percent on a twelve-month basis in March. Economic management continues to be inept. In April, President Chavez announced the nationalizations of the cement industry and of the country's largest steel company. Mexican and French companies own the main cement companies affected, while the steel company is majority-owned by an Argentine company. The government also seized 30 sugarcane plantations.

Recently, President Chavez has suggested that capital controls might be relaxed to make the exchange rate regime more flexible but that the government would not eliminate currency controls altogether. In recent months, the government has been intervening to reduce the dollar's premium on the black market. The premium had peaked at over 200 percent in late 2007 and has since fallen to about 70 percent.

Venezuelan Economic Indicators
(Percent change from previous period, s.a., except as noted)

Indicator	2006	2007	2007	2008			
			Q4	Q1	Jan.	Feb.	Mar.
Real GDP ¹	11.4	8.5	10.8	n.a.	...	...	...
Unemployment rate ²	10.0	8.5	7.3	n.a.	8.7	n.a.	n.a.
Consumer prices ³	17.0	22.5	20.1	25.4	23.7	24.7	27.8
Non-oil trade balance ⁴	-22.9	-34.3	-40.0	n.a.	...	...	...
Merch. trade balance ⁴	32.7	23.7	27.9	n.a.	...	...	...
Current account ⁵	27.1	20.0	20.2	n.a.	...	...	...

1. Annual rate. Annual data are Q4/Q4.

2. Percent.

3. Percent change from year-earlier period, except annual data, which are Dec./Dec.

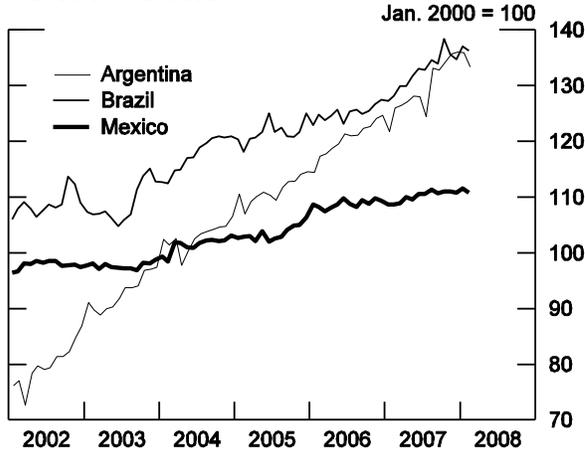
4. Billions of U.S. dollars, annual rate.

5. Billions of U.S. dollars, n.s.a., annual rate.

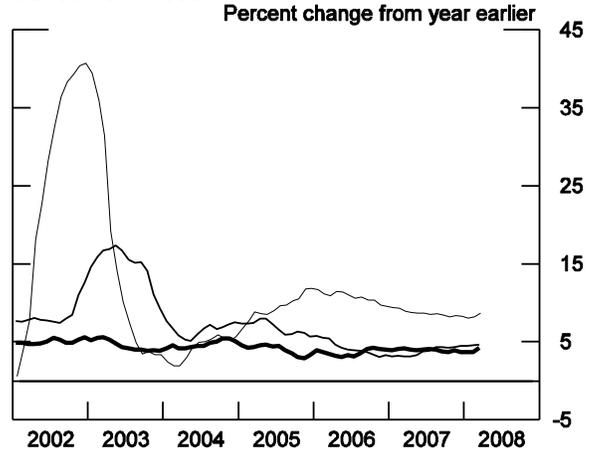
n.a. Not available. ... Not applicable.

Latin America

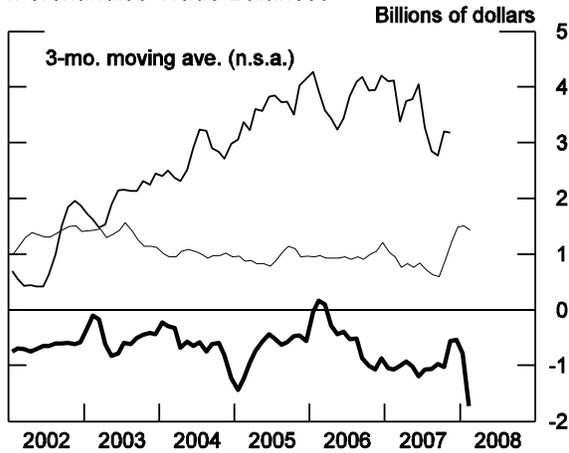
Industrial Production



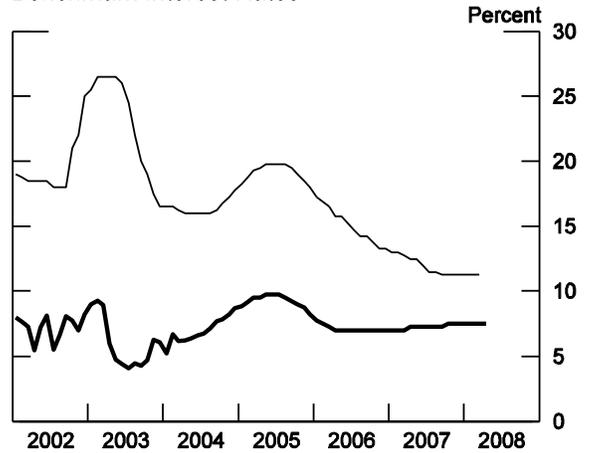
Consumer Prices



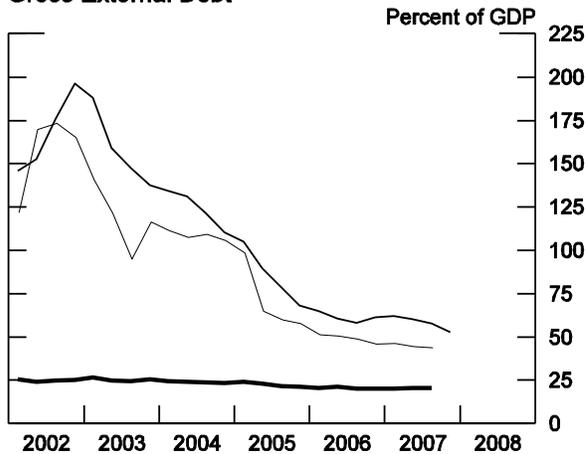
Merchandise Trade Balances



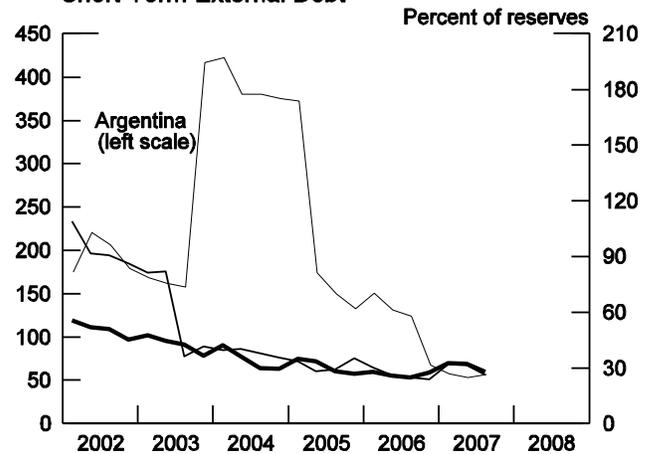
Benchmark Interest Rates



Gross External Debt



Short-Term External Debt



In **Turkey**, real GDP increased 5 percent in the fourth quarter, thanks to strong private sector investment. After a large increase during the month of January, industrial production in February showed signs of moderation. Twelve-month consumer price inflation reached 9.2 percent in March, significantly higher than the upper limit of the central bank's year-end target of 4 percent +/- 2 percentage points. Food and energy prices continue to put upward pressure on inflation. After six consecutive benchmark interest rate cuts, the Monetary Policy Committee decided to keep policy rates unchanged in March. The Committee indicated that global uncertainty and adverse developments in food and energy prices have increased the need for a more cautious policy.

Turkish Economic Indicators
(Percent change from previous period, s.a., except as noted)

Indicator	2006	2007	2007	2008			
			Q4	Q1	Jan.	Feb.	Mar.
Real GDP ¹	5.7	3.4	5.0	n.a.	...	...	...
Industrial production	5.8	5.4	2.2	n.a.	11.8	.3	n.a.
Consumer prices ²	9.7	8.4	8.2	8.8	8.2	9.1	9.2
Merch. trade balance ³	-54.1	-62.9	-72.8	n.a.	-82.4	-72.3	n.a.
Current account ⁴	-31.9	-37.4	-46.2	n.a.	-47.8	-45.1	n.a.
Unemployment rate ⁵	9.8	9.9	10.0	n.a.	...	...	...

1. Annual rate. Annual data are Q4/Q4.

2. Percent change from year-earlier period, except annual data, which are Dec./Dec.

3. Billions of U.S. dollars, annual rate. Imports are c.i.f.

4. Billions of U.S. dollars, n.s.a., annual rate.

5. Percent

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