

## **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.

August 1, 2008

# CURRENT ECONOMIC AND FINANCIAL CONDITIONS

---

## **Supplemental Notes**

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

## Contents

### **The Domestic Nonfinancial Economy .....1**

National Income and Product Accounts, 2008:Q2 and Annual Revision .....	1
Labor Market Developments .....	3
ISM Survey of Manufacturers .....	4
Construction Spending.....	4
Labor Costs .....	5

#### *Tables*

Gross Domestic Product and Related Items.....	6
Price Indexes for Gross Domestic Product .....	7
Changes in Employment.....	10
Selected Unemployment and Labor Force Participation Rates .....	11
New Construction Put in Place .....	13
Change in Employment Cost Index of Hourly Compensation for Private-Industry Workers .....	14
Hourly Compensation and Unit Labor Costs.....	15

#### *Charts*

Annual Revision to the National Income and Product Accounts (Real GDP).....	8
Annual Revision to the National Income and Product Accounts (Real DPI).....	9
Summary of Manufacturing ISM Report on Business.....	12
New Construction Put in Place .....	13
Change in ECI Benefits (confidential).....	14

### **The Domestic Financial Economy .....5**

#### *Tables*

Commercial Bank Credit .....	16
Selected Financial Market Quotations .....	17

## Supplemental Notes

---

### The Domestic Nonfinancial Economy

#### National Income and Product Accounts, 2008:Q2 and Annual Revision

According to the advance estimate by the Bureau of Economic Analysis (BEA), released on Thursday, July 31, real gross domestic product (GDP) rose at an annual rate of 1.9 percent in the second quarter after having increased 0.9 percent in the first quarter. Both consumer spending and business investment recorded moderate gains last quarter, but defense spending rose briskly for a second quarter, and net exports contributed a sizable 2½ percentage points to the change in real GDP. In contrast, a steep drawdown of inventories in the second quarter subtracted nearly 2 percentage points from the change in real GDP.

The overall price index for personal consumption expenditures (PCE) rose at an annual rate of 4.2 percent in the second quarter, reflecting the continued surge in energy prices and substantial increases in food and beverage prices. PCE prices excluding food and energy decelerated to an annual rate of 2.1 percent last quarter following larger increases in the previous two quarters. Similarly, the market-based component of core PCE prices posted a smaller increase last quarter than in the preceding two quarters.

On the income side of the accounts, real disposable personal income (DPI), which was temporarily boosted by the distribution of the tax rebates, jumped at an annual rate of 11.3 percent in the second quarter. Corporate profits in the first quarter, the most recent quarter with available data, fell by \$17.5 billion, and the profit share of gross national product (GNP) edged down to 11.2 percent.<sup>1</sup>

Thursday's release also included the BEA's annual revision of the national income and product accounts (NIPA) for the period beginning in the first quarter of 2005. This year's revisions mainly reflected the incorporation of newly available source data, including the Census Bureau's annual surveys and Internal Revenue Service's tabulations of corporate tax returns. On a four-quarter change basis, real GDP growth was revised down in each of the three years: 0.2 percentage point in 2005, 0.2 percentage point in 2006, and 0.1 percentage point in 2007. The downward revisions were concentrated in PCE, especially spending on housing services for which the BEA incorporated updated Census

---

<sup>1</sup> Information on corporate profits in the second quarter will not be available until the preliminary release on August 28.

Bureau data on vacancy rates. Real PCE is now estimated to have risen 0.2 percentage point per year more slowly during the 2005-07 period. In addition, modest downward revisions were made to residential investment and spending by state and local governments.

Although the overall contour of GDP growth in 2005 and 2006 was little changed, the pattern in 2007 now shows a significantly faster rise in real GDP in the first half of the year and a significantly slower pace in the second half. The revised figures now indicate that real GDP edged down at an annual rate of 0.2 percent in the fourth quarter of last year.

The BEA's revisions to its price indexes were generally small. Core PCE inflation was revised up 0.1 percentage point in 2007 only; its market-based component was revised down 0.1 percentage point in that year. However, the increases in overall GDP prices are now estimated to have been larger in both 2005 and 2007, mainly because of a sizable upward revision to the index for residential construction.

On the income side of the accounts, real gross domestic income (GDI) was revised up, on net, even as GDP was revised down. The revised data now indicate that over the 2005-07 period, the increases in both real GDI and real GDP averaged 2½ percent per year. Real DPI is now estimated to have risen more quickly in 2006 and more slowly in 2007; in both years, personal interest income (derived from Internal Revenue Service data) was revised up, but in 2007 these revisions were more than offset by downward-revised estimates of compensation (both employer contributions for health insurance and wages and salaries). On net, DPI and PCE were revised by similar magnitudes, and the level of the personal saving rate early this year was little revised.

Corporate profits were revised up in all three previous years, and the share of economic profits in GNP at the end of 2007 stood at 11.5 percent, up ½ percentage point from the previously reported estimate. Much of the upward revision to profits stemmed from a revision to the capital consumption adjustment—that is, to new BEA estimates that revised down economic depreciation relative to companies' reported depreciation. By industry, the upward revisions to profits were concentrated in the domestic nonfinancial sector; financial sector profits were revised down in 2006 and 2007.

The annual NIPA revision also provided information about the magnitude of upcoming revisions to measures of productivity and compensation per hour in the nonfarm business sector. We now estimate that output per hour in the nonfarm business sector rose at an annual rate of about 1½ percent in 2005, ½ percent in 2006, and almost 3 percent in

2007; each of these figures is roughly 0.2 percentage point lower than the current estimates.<sup>3</sup> In addition, we estimate that increases in compensation per hour in the nonfarm business sector will be revised down roughly  $\frac{3}{4}$  percentage point in both 2006 and 2007.

### **Labor Market Developments**

The labor market continued to weaken in July, with payroll employment continuing to slide and the unemployment rate rising further.

Private payroll employment fell 76,000 in July, only a bit less than the average monthly decline of 96,000 during the first six months of the year. By industry, the pattern of job losses in July was roughly similar to those earlier in the year, although July's report showed a smaller decline in construction than earlier. Nonbusiness services, which include health and education, remained the only notable source of net additions to employment. Jobs on state and local government payrolls increased 25,000. Last month's gain was less than in the preceding two months, for which revised estimates now show average monthly gains of more than 40,000, but is in line with the average so far this year.

The average workweek of production and nonsupervisory workers edged down in July and, with the drop in employment, resulted in a decline of 0.4 percent in the index of hours for production workers. This measure of hours worked decreased at an annual rate of about 1 percent in the first two quarters of 2008.

In the household survey, the unemployment rate rose to 5.7 percent in July, while the labor force participation rate was unchanged at 66.1 percent. Although jobless rates moved higher for most demographic groups, the increase for men aged 25 and older was notable. Another measure of slack, the number of persons working part time for economic reasons as a percent of household employment, moved up further in July and now stands at its highest level since 1994.

Initial claims for unemployment insurance stepped up sharply to 448,000 in the week ending July 26. The Employment and Training Administration believes that state offices are determining that some individuals responding to the availability of extended unemployment benefits are, instead, eligible for regular state benefits. The level of insured unemployment continued to trend up in the week ending July 19; the four-week

---

<sup>3</sup> The Bureau of Labor Statistics will publish revised estimates of productivity and costs on August 8.

moving average of continuing claims stood at 3.17 million, up from 3.10 million in mid-June.

### **ISM Survey of Manufacturers**

The *Report on Business*, prepared by the Institute for Supply Management (ISM), suggests that manufacturing activity was unchanged in July after a slight expansion in June. The overall purchasing managers' index (PMI)—a weighted sum of the diffusion indexes for new orders, production, employment, supplier deliveries, and inventories—moved down 0.2 index point, to 50.0. The index of new orders, the most useful indicator of near-term manufacturing activity in this report, fell 4.6 index points to 45.0, the lowest reading since October 2001. The production index edged up in July to 52.9, and the employment index popped up above 50 after low readings in recent quarters. The index for supplier deliveries was unchanged from June at 55.1, as delivery performance of suppliers to manufacturing organizations continued to slow.

Among indexes not part of the PMI, the index of orders backlogs suggested that backlogs shrunk somewhat more rapidly in July than in June. The report indicated that new export orders increased less rapidly than in recent months but that imports continued to contract for a sixth consecutive month. The vast majority of respondents again reported having paid higher prices last month. Only two commodities—caustic soda and sulfuric acid—were cited as in short supply.

Both inventory indexes reversed their increases from June. The index for own inventories suggested a decline in manufacturers inventories in July, after it had indicated a one-month accumulation in June. The index of customer inventories also fell back in July, with only 17 percent of respondents reporting that they viewed their customers' inventories as too high.

### **Construction Spending**

The report on nominal construction put in place for June showed continued steep declines in outlays for residential buildings and a further rise in outlays for nonresidential structures. In the nonresidential sector, nominal spending for office has been about flat, and spending for commercial buildings has moved down, on net, in recent months; spending for manufacturing, power, and the broad category of other structures has continued to post noticeable increases.

Nominal construction spending by state and local governments edged down in June, but the decline came on the heels of new estimates for April and May that were higher than previously reported.

### **Labor Costs**

Labor costs continued to increase at a moderate rate during the second quarter, with little sign as yet of higher overall price inflation passing through to higher worker compensation. The employment cost index (ECI) for hourly compensation of private-industry workers rose at annual rate of 2.3 percent over the three months ending in June. The 12-month change through June in the ECI was 3.0 percent, equal to its average pace from 2005 to 2007. ECI wages and salaries rose at annual rate of 3.0 percent in the second quarter, while benefits rose at an annual rate of only 1.9 percent during the same period. The 12-month changes in both wages and salaries and benefits are about the same as their average change in past two years. The relative stability in the overall change in employer costs for benefits masks a deceleration in most components of benefits that was largely offset by a pickup in employer contributions to retirement and savings plans over the past 12 months.

Based on the revised data on labor compensation from the national income and product accounts and updated estimates of hours worked, we estimate that hourly compensation in the nonfarm business sector rose at an annual rate of 3.7 percent in the second quarter of 2008 after having risen at an annual rate of 5.5 percent in the first quarter. In both 2006 and 2007, the rise in hourly compensation is now about  $\frac{3}{4}$  percentage point less than previously reported, reflecting downward revisions to both wage and salary accruals and benefits. Currently, the four-quarter change through the second quarter of this year, at  $4\frac{1}{2}$  percent, is about the same as the downward-revised increase posted over the preceding four quarters. Despite the revisions, nonfarm compensation per hour is still reported to have increased at a rate significantly higher than the ECI. The revised data continue to indicate a marked deceleration in unit labor costs over the four quarters ending in the second quarter because of a noticeable acceleration in labor productivity.

Average hourly earnings of production and nonsupervisory workers rose 0.3 percent in July to a level 3.4 percent higher than it was a year earlier. This measure of wage change has decelerated noticeably over the past year; in the 12 months ending in July 2007, average hourly earnings increased 4.1 percent.

**Real Gross Domestic Product and Related Items**  
 (Percent change from previous period at a compound annual rate;  
 based on seasonally adjusted data, chain-type quantity indexes)

Item	2007:Q4 Final	2008:Q1 Final	2008:Q2 Advance
Gross Domestic Product	-.2	.9	1.9
Final sales	.8	.9	3.9
Consumer spending	1.0	.9	1.5
Durables	.4	-4.3	-3.0
Nondurables	.3	-4	4.0
Services	1.4	2.4	1.1
Business fixed investment	3.4	2.4	2.3
Nonresidential structures	8.5	8.6	14.4
Equipment and software	1.0	-6	-3.4
Residential investment	-27.0	-25.1	-15.6
Federal government	-.5	5.8	6.7
State and local government	1.6	-.3	1.6
Exports of goods and services	4.4	5.1	9.2
Imports of goods and services	-2.3	-.8	-6.6
<i>ADDENDA:</i>			
Inventory investment <sup>1</sup>	-8.1	-10.2	-62.2
Net exports of goods and services <sup>1</sup>	-484.5	-462.0	-395.2
Nominal GDP	2.3	3.5	3.0
Nominal GDI	1.7	2.6	n.a.
Statistical discrepancy <sup>2</sup>	13.9	43.6	n.a.
Change in economic profits <sup>2</sup>	-57.3	-17.5	n.a.
Profit share <sup>3</sup>	11.3	11.2	n.a.
Real disposable personal income	.6	-.1	11.3
Personal saving rate (percent)	.4	.3	2.6

1. Level, billions of chained (2000) dollars.

2. Billions of dollars.

3. Economic profits as a share of GNP.

n.a. not available.

**Price Indexes for Gross Domestic Product**  
(Based on seasonally adjusted data, chain-type indexes)

Item	2007:Q4 Final	2008:Q1 Final	2008:Q2 Advance
Gross domestic product	2.8	2.6	1.1
Gross domestic purchases	4.0	3.5	4.2
Personal consumption expenditures	4.3	3.6	4.2
Food and Beverages	3.7	4.9	6.4
Energy	32.2	19.0	27.6
Excluding food and energy	2.5	2.3	2.1
Market-based components	2.2	2.1	1.8
Business fixed investment	1.7	.6	2.3
Equipment and Software	.4	-.4	1.6
Computers and peripheral equipment	-9.0	-13.5	-7.1
Nonresidential structures	4.5	2.7	3.6
Residential investment	.0	-2.6	-2.2
Government consumption expenditures and investment	5.1	6.2	7.0
Exports of goods and services	6.2	9.1	10.3
Imports of goods and services	12.8	12.8	28.6
Nonpetroleum goods	4.6	8.0	11.5
<i>ADDENDA:</i>			
GDP less food and energy	2.4	2.0	1.4
Gross domestic purchases less food and energy	2.4	2.2	2.2

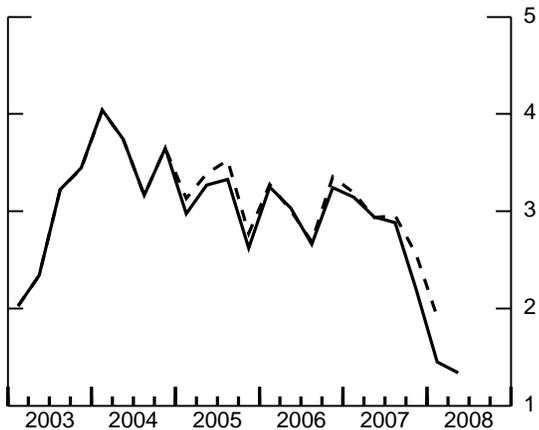
NOTE: Percent change from previous period at compound annual rates

## Annual Revision to the National Income and Product Accounts (Four-quarter percent change)

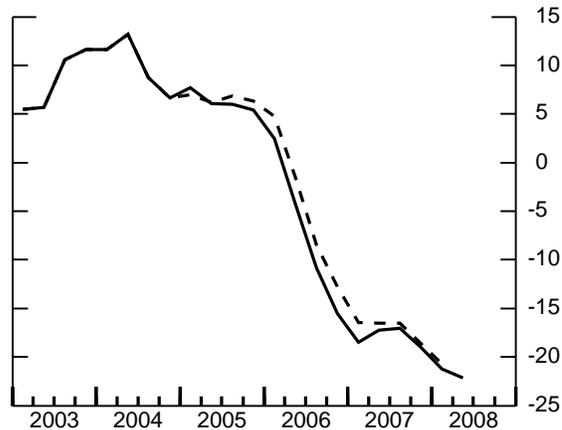
### Real GDP



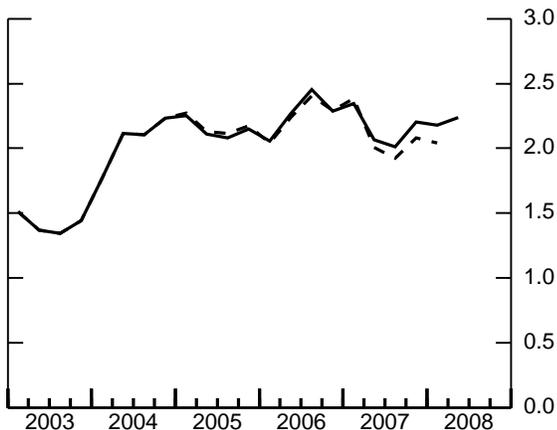
### Real Personal Consumption Expenditures



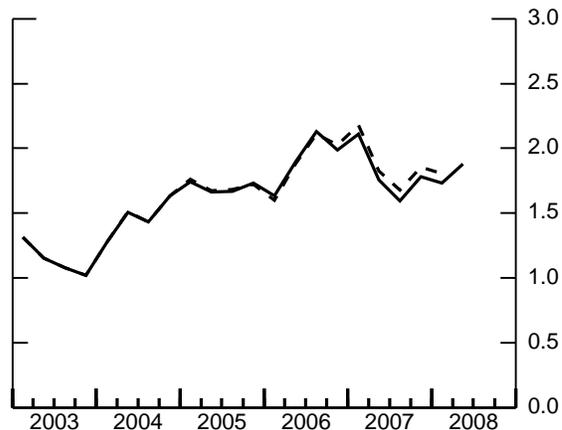
### Real Residential Investment



### Core PCE Prices

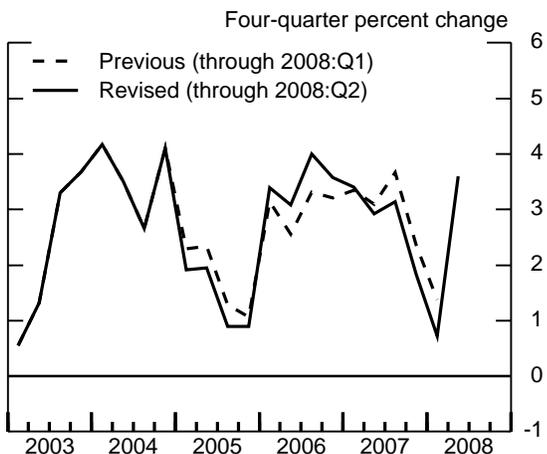


### Market-Based Core PCE Prices

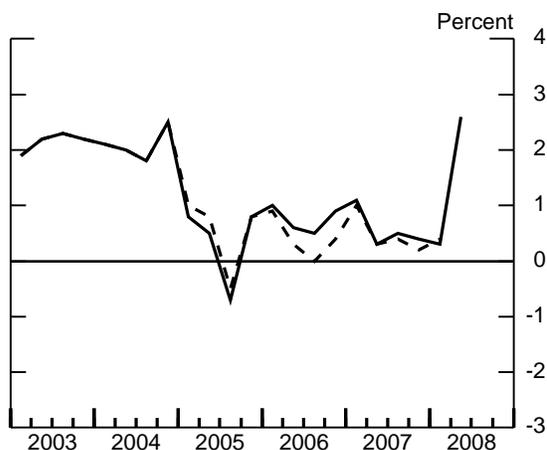


### Annual Revision to the National Income and Product Accounts

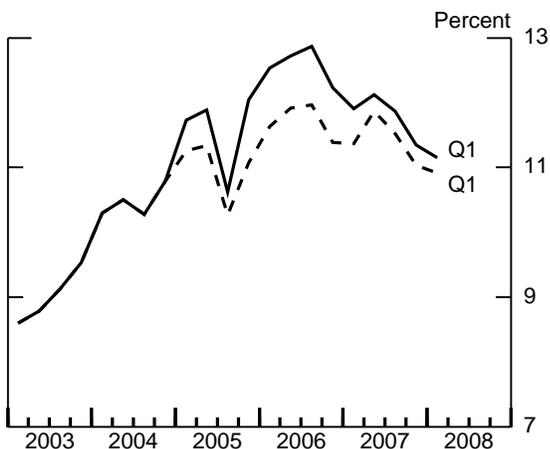
**Real DPI**



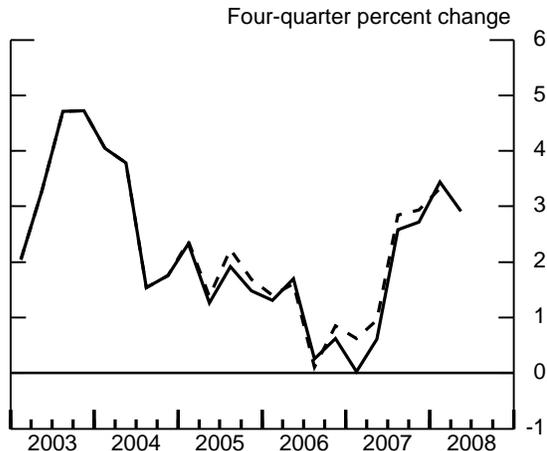
**Personal Saving Rate**



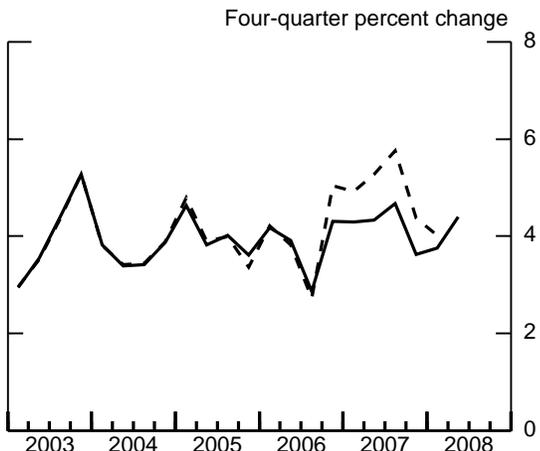
**Profits as a Share of GNP**



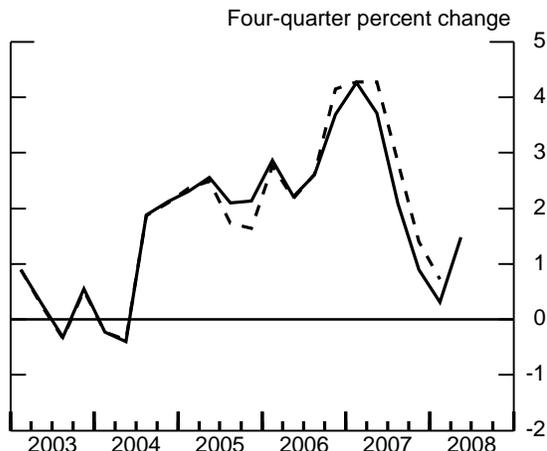
**NFB Output per Hour\***



**Compensation per Hour\***



**Unit Labor Costs\***



### Changes in Employment

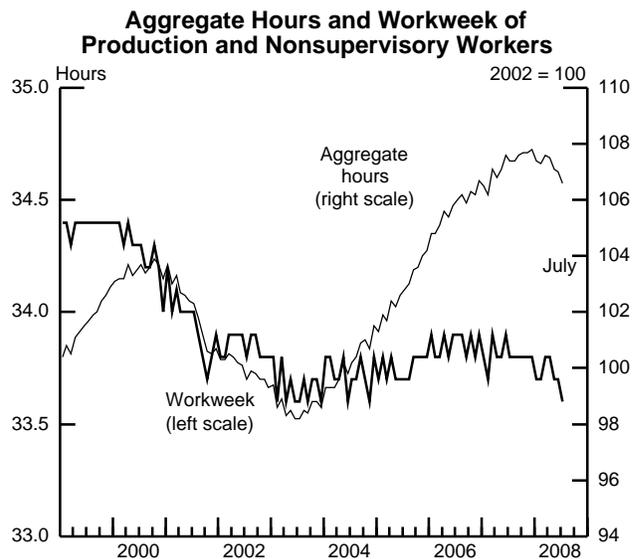
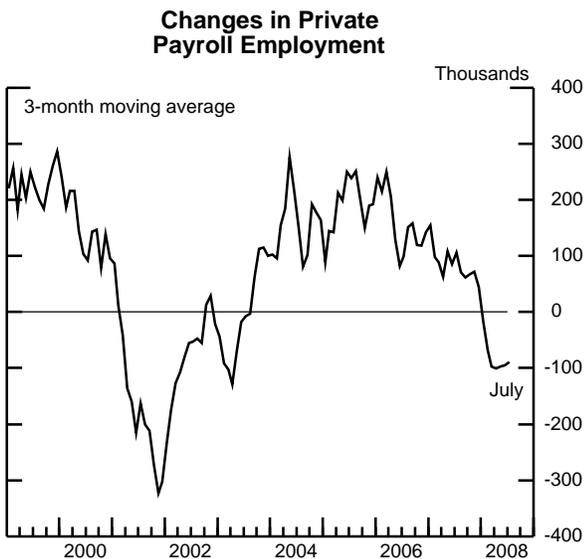
(Thousands of employees; seasonally adjusted)

Measure and sector	2007		2008				
	2007	Q4	Q1	Q2	May	June	July
	Average monthly change				Monthly change		
Nonfarm payroll employment (establishment survey)	91	80	-82	-55	-47	-51	-51
Private	71	45	-97	-95	-99	-94	-76
Natural resources and mining	3	4	4	6	8	7	11
Manufacturing	-22	-17	-43	-36	-21	-35	-35
Ex. motor vehicles	-15	-8	-31	-30	-21	-35	-32
Construction	-19	-41	-41	-49	-38	-49	-22
Residential	-20	-39	-30	-28	-31	-22	-14
Nonresidential	1	-2	-11	-20	-7	-27	-8
Wholesale trade	9	6	-6	-6	-6	-3	-17
Retail trade	6	0	-29	-25	-24	-6	-17
Financial activities	-9	-14	-7	-6	-3	-13	0
Professional and business services	26	44	-39	-24	-49	-39	-24
Temporary help services	-7	4	-24	-29	-36	-33	-29
Nonbusiness services <sup>1</sup>	76	71	66	58	54	56	46
Total government	21	35	15	40	52	43	25
Total employment (household survey)	22	-16	-81	-26	-285	-155	-72
Memo:							
Aggregate hours of private production workers (percent change) <sup>2</sup>	1.3	1.0	-1.1	-0.9	-0.4	-0.1	-0.4
Average workweek (hours) <sup>3</sup>	33.8	33.8	33.7	33.7	33.7	33.7	33.6
Manufacturing (hours)	41.2	41.2	41.1	41.0	41.0	41.0	41.0

1. Nonbusiness services comprises education and health, leisure and hospitality, and "other."

2. Establishment survey. Annual data are percent changes from Q4 to Q4. Quarterly data are percent changes from preceding quarter at an annual rate. Monthly data are percent changes from preceding month.

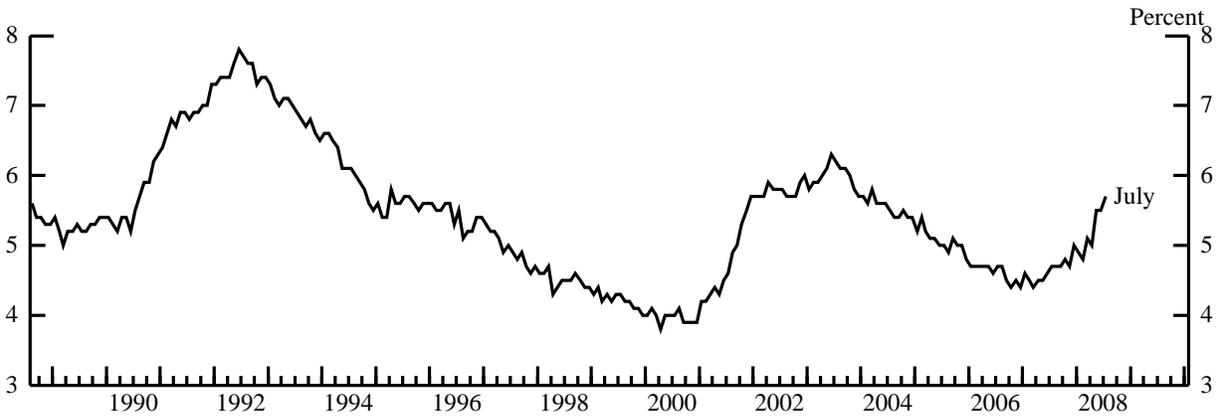
3. Establishment survey.



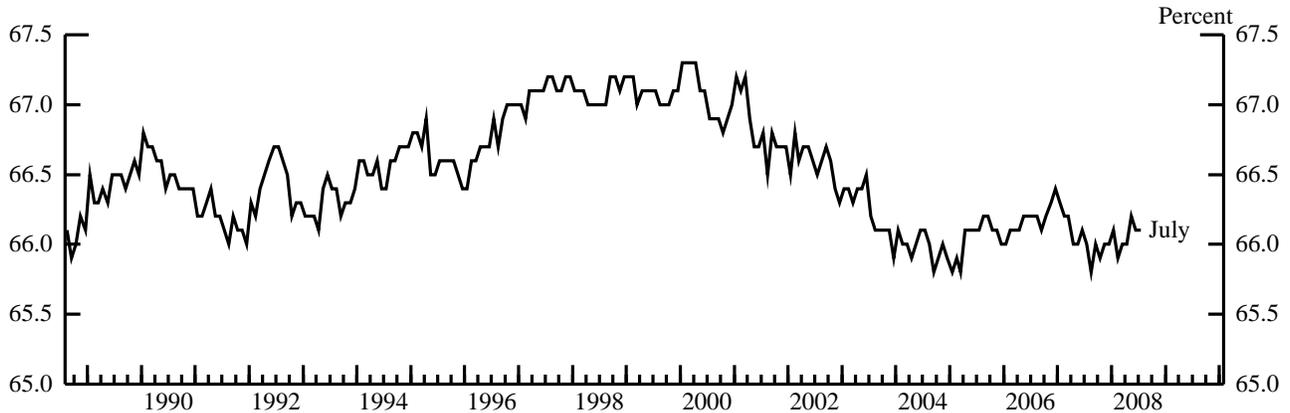
**Selected Unemployment and Labor Force Participation Rates**  
(Percent; based on seasonally adjusted data)

Group	2007	2008		2008		
		Q1	Q2	May	June	July
Civilian unemployment rate (16 years and older)	4.6	4.9	5.3	5.5	5.5	5.7
Teenagers	15.7	16.8	17.4	18.7	18.1	20.3
20-24 years old	8.2	9.0	9.8	10.4	10.1	10.2
Men, 25 years and older	3.6	3.8	4.2	4.2	4.3	4.6
Women, 25 years and older	3.7	3.9	4.1	4.1	4.2	4.2
Full-time workers	4.6	4.9	5.3	5.5	5.5	5.7
Labor force participation rate	66.0	66.0	66.1	66.2	66.1	66.1
Teenagers	41.3	40.3	41.4	42.6	40.5	40.8
20-24 years old	74.4	73.9	74.6	75.0	74.8	74.9
Men, 25 years and older	75.6	75.5	75.2	75.2	75.3	75.6
Women, 25 years and older	59.7	59.9	60.0	60.0	60.1	59.9

Unemployment Rate

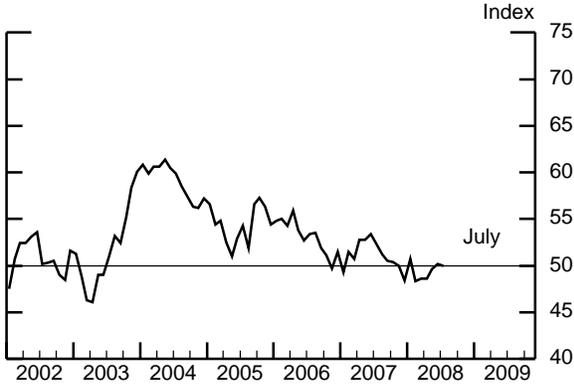


Labor Force Participation Rate



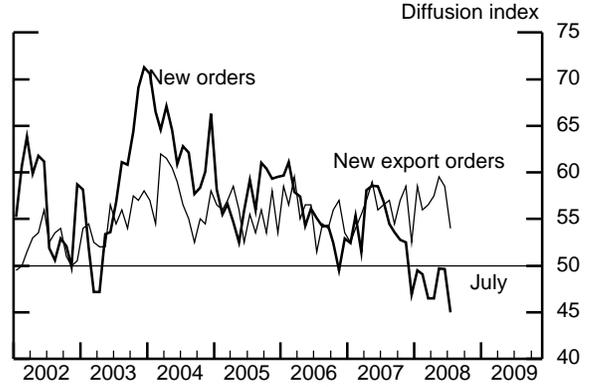
## Summary of Manufacturing ISM Report on Business (Seasonally Adjusted)

### Purchasing Managers Index



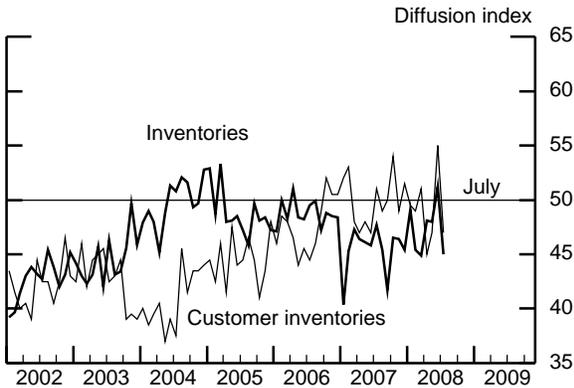
Note. The PMI is an index that equally weights new orders, production, employment, supplier deliveries and inventories.

### New Orders and New Export Orders



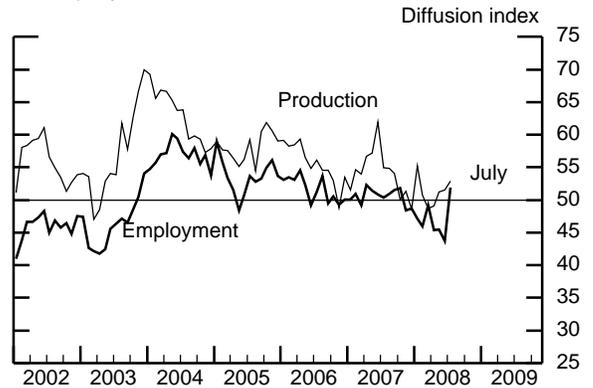
Note. New export orders are not seasonally adjusted.

### Inventories and Customer Inventories

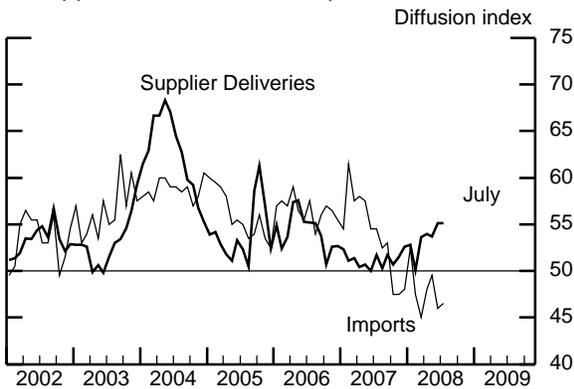


Note. Customer inventories are not seasonally adjusted.

### Employment and Production

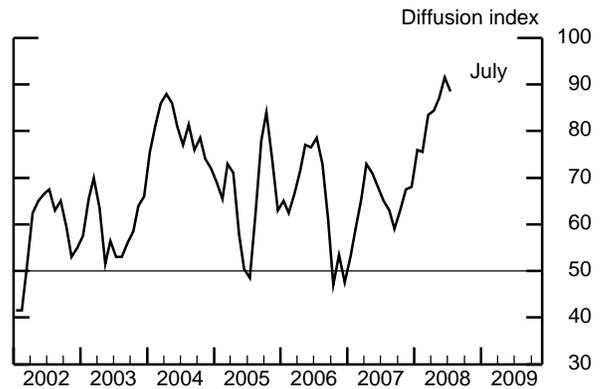


### Supplier Deliveries and Imports



Note. Imports are not seasonally adjusted.

### Prices Paid



Note. Not seasonally adjusted.

### New Construction Put in Place

	2008		2008				2008	
	Q1	Q2 <sup>P</sup>	Apr. <sup>r</sup>	May <sup>p</sup>	May <sup>r</sup>	June <sup>p</sup>	May <sup>r</sup>	June <sup>p</sup>
	Billions of current dollars, seasonally adjusted annual rate						Percent change <sup>1</sup>	
Total	1,083.7	1,084.2	1,085.2	1,085.2	1,085.7	1,081.9	.0	-.4
Private	789.3	782.7	783.7	784.2	783.9	780.6	.0	-.4
Residential <sup>2</sup>	396.2	378.4	383.5	378.9	379.1	372.5	-1.1	-1.8
Single-family	220.3	197.1	203.6	197.2	197.5	190.3	-3.0	-3.7
Multifamily	43.8	44.4	44.3	44.2	44.5	44.3	.6	-.4
Nonresidential <sup>2</sup>	393.1	404.3	400.2	405.3	404.8	408.1	1.1	.8
Office	57.6	57.6	57.7	59.1	57.6	57.6	-.1	.0
Commercial	86.9	86.2	87.5	85.6	85.5	85.7	-2.2	.2
Manufacturing	49.8	54.5	52.0	53.6	55.4	56.2	6.6	1.5
Communication	27.3	26.6	26.5	26.9	26.9	26.5	1.7	-1.6
Power	53.2	56.4	54.5	56.9	56.2	58.5	3.1	4.1
Other <sup>3</sup>	115.7	120.7	119.8	120.9	121.0	121.5	1.0	.4
Public	294.4	301.5	301.5	301.1	301.8	301.3	.1	-.2
State and local	272.2	278.8	278.9	278.4	279.3	278.3	.2	-.4
Federal	22.3	22.7	22.6	22.6	22.4	23.0	-.8	2.4

1. Percent changes calculated from more digits than shown in table.

2. Contains components not shown separately.

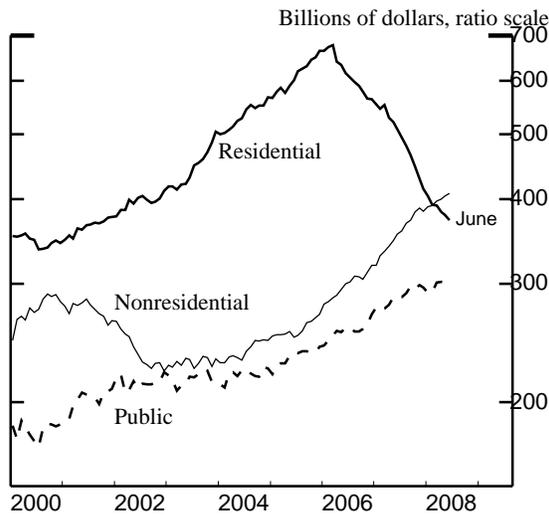
3. Includes religious, educational, lodging, amusement and recreation, transportation, and health care.

r Revised.

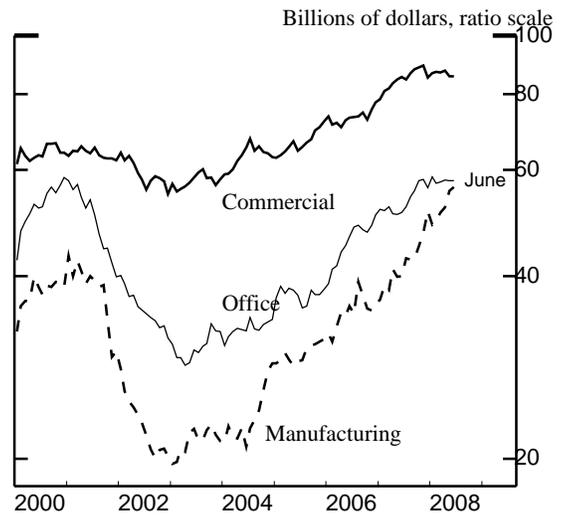
p Preliminary.

### New Construction Put in Place (Seasonally adjusted annual rate)

Major Components



Selected Nonresidential Components



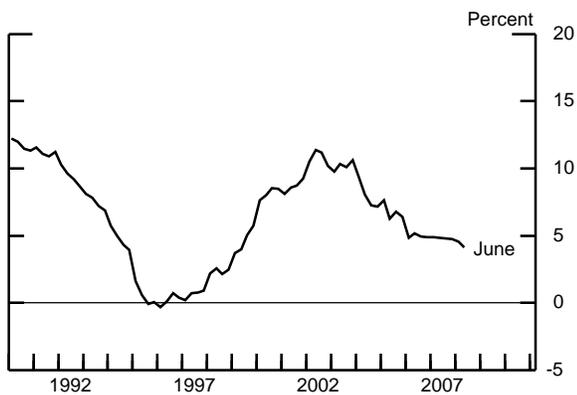
### Change in Employment Cost Index of Hourly Compensation for Private-Industry Workers

Measure	2007			2008	
	June	Sept.	Dec.	Mar.	June
	Quarterly change (compound annual rate) <sup>1</sup>				
<b>Total hourly compensation</b>	<b>3.1</b>	<b>3.1</b>	<b>3.5</b>	<b>3.0</b>	<b>2.3</b>
Wages and salaries	3.1	3.1	3.1	3.4	3.0
Benefits	4.3	3.1	3.1	2.3	1.9
	12-month change				
<b>Total hourly compensation</b>	<b>3.1</b>	<b>3.1</b>	<b>3.0</b>	<b>3.2</b>	<b>3.0</b>
Wages and salaries	3.3	3.4	3.3	3.2	3.1
Benefits	2.6	2.4	2.4	3.2	2.6

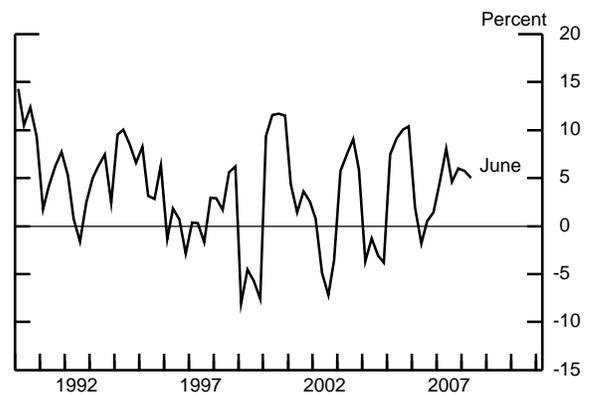
1. Seasonally adjusted by the Bureau of Labor Statistics.

### Change in ECI Benefits (confidential) (Private-industry workers; 12-month change)

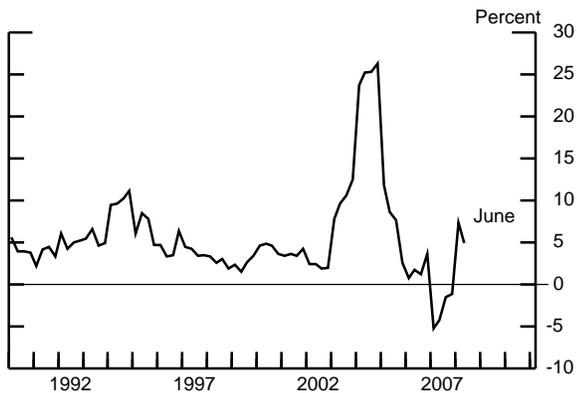
Health Insurance



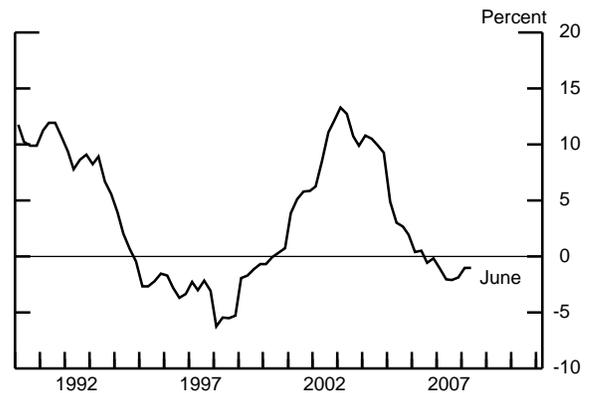
Nonproduction Bonuses



Retirement and Savings



Workers' Compensation Insurance

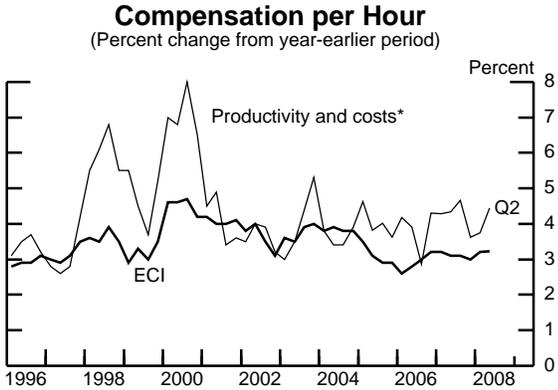


### Hourly Compensation and Unit Labor Costs

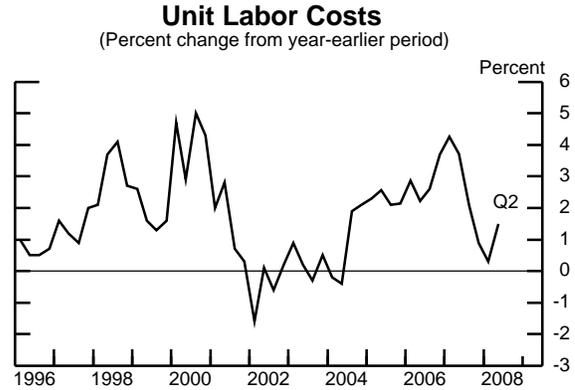
(Percent change from preceding period at compound annual rate; based on seasonally adjusted data)

Category	2006:Q2 to 2007:Q2	2007:Q2 to 2008:Q2	2007		2008	
			Q3	Q4	Q1	Q2
<i>Compensation per hour*</i> Nonfarm business	4.3	4.4	3.3	5.3	5.5	3.7
<i>Unit labor costs*</i> Nonfarm business	3.7	1.5	-2.5	4.5	2.6	1.4

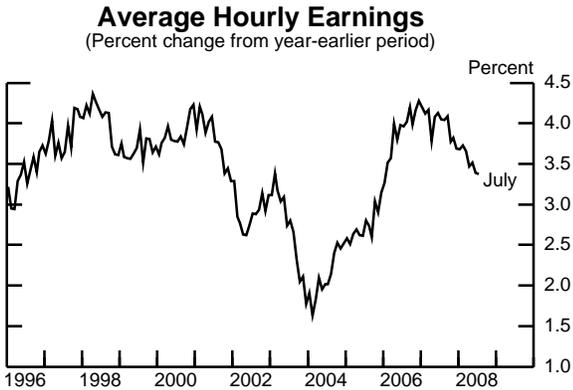
\*All values are staff estimates.



\*Values starting 2005q1 are staff estimates.



\*Values starting 2005q1 are staff estimates.



### Commercial Bank Credit

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

Type of credit	2007	H2 2007	Q1 2008	Q2 2008	June 2008	July 2008 <sup>e</sup>	Level <sup>1</sup> July 2008 <sup>e</sup>
Total	10.6	11.3	6.2	3.3	-.3	3.0	9,025
<i>Loans</i> <sup>2</sup>							
Total	11.4	11.5	9.5	4.5	-3.3	.9	6,818
To businesses							
Commercial and industrial	19.6	26.1	15.6	11.9	5.7	4.6	1,506
Commercial real estate	10.1	10.1	9.8	10.4	11.5	-8.9	1,651
To households							
Residential real estate	5.8	-1.1	3.4	3.3	-16.1	-5.8	1,842
Revolving home equity	5.7	6.5	11.5	16.1	14.7	11.7	519
Other	5.9	-3.6	.7	-1.2	-27.4	-12.5	1,323
Consumer	7.9	10.8	8.8	6.0	6.8	10.3	836
Originated <sup>3</sup>	7.2	9.4	8.7	6.9	6.6	5.3	1,250
Other <sup>4</sup>	16.7	19.9	12.2	-14.8	-25.9	17.1	984
<i>Securities</i>							
Total	8.1	10.7	-3.7	-.1	9.3	9.3	2,206
Treasury and agency	-5.7	-4.3	-10.8	8.3	26.0	12.0	1,144
Other <sup>5</sup>	27.5	28.9	3.8	-8.6	-7.9	6.4	1,062

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

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

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

Instrument	2007	2008			Change to July 31 from selected dates (percentage points)			
	Aug. 6	Jan. 31	June 24	July 31	2007 Aug. 6	2008 Jan. 31	2008 June 24	
<i>Short-term</i>								
FOMC intended federal funds rate	5.25	3.00	2.00	2.00	-3.25	-1.00	.00	
Treasury bills <sup>1</sup>								
3-month	4.74	1.92	1.80	1.65	-3.09	-.27	-.15	
6-month	4.72	2.02	2.20	1.84	-2.88	-.18	-.36	
Commercial paper (A1/P1 rates) <sup>2</sup>								
1-month	5.26	2.95	2.36	2.36	-2.90	-.59	.00	
3-month	5.29	2.98	2.78	2.71	-2.58	-.27	-.07	
Large negotiable CDs <sup>1</sup>								
3-month	5.34	3.01	2.80	2.77	-2.57	-.24	-.03	
6-month	5.27	2.93	3.17	3.11	-2.16	.18	-.06	
Eurodollar deposits <sup>3</sup>								
1-month	5.33	3.15	2.70	2.65	-2.68	-.50	-.05	
3-month	5.35	3.15	3.00	3.00	-2.35	-.15	.00	
Bank prime rate	8.25	6.00	5.00	5.00	-3.25	-1.00	.00	
<i>Intermediate- and long-term</i>								
U.S. Treasury <sup>4</sup>								
2-year	4.49	2.16	2.80	2.48	-2.01	.32	-.32	
5-year	4.52	2.83	3.55	3.26	-1.26	.43	-.29	
10-year	4.82	3.86	4.29	4.16	-.66	.30	-.13	
U.S. Treasury indexed notes <sup>5</sup>								
5-year	2.43	.68	1.10	1.21	-1.22	.53	.11	
10-year	2.48	1.35	1.76	1.75	-.73	.40	-.01	
Municipal general obligations (Bond Buyer) <sup>6</sup>	4.51	4.39	4.76	4.74	.23	.35	-.02	
Private instruments								
10-year swap	5.44	4.23	4.84	4.67	-.77	.44	-.17	
10-year FNMA <sup>7</sup>	5.34	4.28	4.98	4.75	-.59	.47	-.23	
10-year AA <sup>8</sup>	6.12	5.62	6.54	6.66	.54	1.04	.12	
10-year BBB <sup>8</sup>	6.57	6.39	7.00	7.15	.58	.76	.15	
10-year high yield <sup>8</sup>	9.21	9.80	10.13	10.53	1.32	.73	.40	
Home mortgages (FHLMC survey rate)								
30-year fixed	6.59	5.68	6.45	6.52	-.07	.84	.07	
1-year adjustable	5.65	5.05	5.27	5.27	-.38	.22	.00	
<b>Stock exchange index</b>								
	Record high		2008			Change to July 31 from selected dates (percent)		
	Level	Date	Jan. 31	June 24	July 31	Record high	2008 Jan. 31	2008 June 24
Dow Jones Industrial	14,165	10-9-07	12,650	11,807	11,378	-19.67	-10.06	-3.64
S&P 500 Composite	1,565	10-9-07	1,379	1,314	1,267	-19.03	-8.06	-3.57
Nasdaq	5,049	3-10-00	2,390	2,368	2,326	-53.94	-2.69	-1.80
Russell 2000	856	7-13-07	713	708	715	-16.51	.17	.93
Wilshire 5000	15,807	10-9-07	13,897	13,421	12,947	-18.09	-6.83	-3.54

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

## NOTES:

August 6, 2007, is the day before the August 2007 FOMC meeting.  
January 31, 2008, is the day after the January 2008 FOMC meeting.  
June 24, 2008, is the day before the most recent FOMC monetary policy announcement.