

Prefatory Note

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March 13, 2009

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Supplemental Notes

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

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Supplemental Notes

The Domestic Nonfinancial Economy

Reuters/University of Michigan Survey of Consumers

The early March reading for the Reuters/University of Michigan index of consumer sentiment held steady at its low level. This month's preliminary sentiment reading showed some improvement in households' outlook for the economy likely related to recent government policies; however, concerns about income and job prospects continued to erode households' appraisal of their personal financial situation and buying conditions for household durables. Among items not included in the overall index, consumers' expectations about the change in the unemployment rate over the next twelve months improved slightly, but nearly two-thirds of households still expect rising unemployment. Households were broadly more pessimistic about buying conditions, including cars and homes, primarily because of uncertainty about income. The median of expected inflation over the next 12 months moved up 0.3 percentage point, to 2.2 percent, and the median of expected inflation over the next 5 to 10 years moved down to 2.8 percent, about the same as its average over the past five years.

March 13, 2009

Reuters/University of Michigan Survey of Consumers
Indexes of consumer sentiment
 (Not seasonally adjusted)

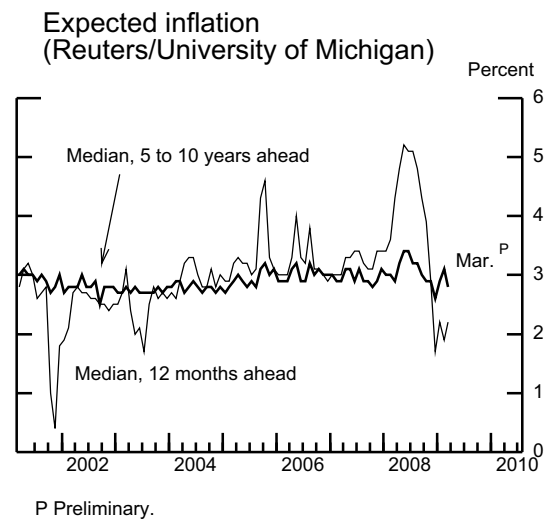
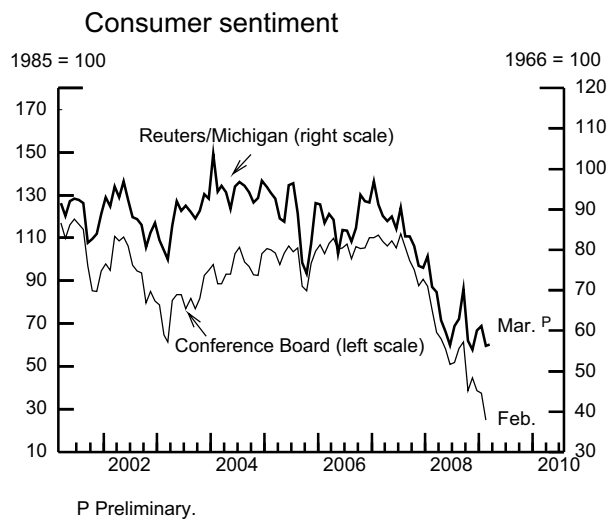
Category	2008					2009		
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar. ^P
Composite of current and expected conditions ¹	63.0	70.3	57.6	55.3	60.1	61.2	56.3	56.6
Current conditions ¹	71.0	75.0	58.4	57.5	69.5	66.5	65.5	62.3
Expected conditions ¹	57.9	67.2	57.0	53.9	54.0	57.8	50.5	53.0
Personal financial situation								
Now compared with 12 months ago ²	72	86	60	59	62	70	65	63
Expected in 12 months ²	105	120	106	107	109	114	103	100
Expected business conditions								
Next 12 months ²	52	65	49	42	39	47	31	43
Next 5 years ²	72	83	71	65	66	69	66	67
Appraisal of buying conditions								
Cars	103	108	98	115	121	124	127	123
Large household appliances ²	110	107	89	88	116	101	103	96
Houses	146	140	117	145	130	143	146	139
Expected unemployment change - next 12 months	150	141	156	162	162	154	159	156
Prob. household will lose a job - next 5 years	22	21	24	27	25	24	27	28
Expected inflation - next 12 months								
Mean	5.3	4.6	4.3	2.9	1.7	2.5	2.3	2.4
Median	4.8	4.3	3.9	2.9	1.7	2.2	1.9	2.2
Expected inflation - next 5 to 10 years								
Mean	3.9	3.3	3.1	3.1	2.6	3.4	3.5	2.9
Median	3.2	3.0	2.9	2.9	2.6	2.9	3.1	2.8

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

P Preliminary.

1. Feb. 1966 = 100.

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



Selected Financial Market Quotations

(One-day quotes in percent except as noted)

Instrument	2007		2008		2009		Change to Mar. 12 from selected dates (percentage points)		
							2007	2008	2009
	Aug. 6	Dec. 15	Jan. 27	Mar. 12	Aug. 6	Dec. 15	Jan. 27		
<i>Short-term</i>									
FOMC intended federal funds rate	5.25	1.00	.13	.13	-5.12	-.87	.00		
Treasury bills ¹									
3-month	4.74	.04	.13	.21	-4.53	.17	.08		
6-month	4.72	.28	.32	.44	-4.28	.16	.12		
Commercial paper (A1/P1 rates) ²									
1-month	5.26	.53	.29	.40	-4.86	-.13	.11		
3-month	5.29	1.35	2.04	.75	-4.54	-.60	-1.29		
Large negotiable CDs ¹									
3-month	5.34	1.85	1.08	1.13	-4.21	-.72	.05		
6-month	5.27	2.24	1.57	1.75	-3.52	-.49	.18		
Eurodollar deposits ³									
1-month	5.33	1.50	.75	1.00	-4.33	-.50	.25		
3-month	5.35	2.55	1.75	1.65	-3.70	-.90	-.10		
Bank prime rate	8.25	4.00	3.25	3.25	-5.00	-.75	.00		
<i>Intermediate- and long-term</i>									
U.S. Treasury ⁴									
2-year	4.49	.48	.68	1.00	-3.49	.52	.32		
5-year	4.52	1.57	1.74	2.05	-2.47	.48	.31		
10-year	4.82	3.08	3.17	3.34	-1.48	.26	.17		
U.S. Treasury indexed notes ⁵									
5-year	2.43	2.99	1.84	2.10	-.33	-.89	.26		
10-year	2.48	2.66	1.97	2.25	-.23	-.41	.28		
Municipal general obligations (Bond Buyer) ⁶	4.51	5.85	5.13	5.03	.52	-.82	-.10		
Private instruments									
10-year swap	5.44	2.76	2.84	3.10	-2.34	.34	.26		
10-year FNMA ⁷	5.34	3.50	3.65	3.73	-1.61	.23	.08		
10-year AA ⁸	6.12	6.86	6.15	6.71	.59	-.15	.56		
10-year BBB ⁸	6.57	9.59	8.89	9.15	2.58	-.44	.26		
10-year high yield ⁸	9.21	18.30	14.78	15.73	6.52	-2.57	.95		
Home mortgages (FHLMC survey rate)									
30-year fixed	6.59	5.19	5.10	5.03	-1.56	-.16	-.07		
1-year adjustable	5.65	4.94	4.90	4.80	-.85	-.14	-.10		

Stock exchange index	Record high		2008		2009		Change to Mar. 12 from selected dates (percent)		
							Record high	2008	2009
	Level	Date	Dec. 15	Jan. 27	Mar. 12	Record high	Dec. 15	Jan. 27	
Dow Jones Industrial	14,165	10-9-07	8,565	8,175	7,170	-49.38	-16.28	-12.29	
S&P 500 Composite	1,565	10-9-07	869	846	751	-52.03	-13.57	-11.23	
Nasdaq	5,049	3-10-00	1,508	1,505	1,426	-71.75	-5.45	-5.24	
Russell 2000	856	7-13-07	453	456	390	-54.41	-13.80	-14.37	
Wilshire 5000	15,807	10-9-07	8,664	8,524	7,626	-51.75	-11.98	-10.53	

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.
 December 15, 2008, is the day before the December 2008 FOMC monetary policy announcement.
 January 27, 2009, is the day before the most recent FOMC monetary policy announcement.
 Data for the 3-month commercial paper rate on December 15, 2008, are from December 4, 2008, the most recent date for which a sufficient volume of new issues was available to calculate this rate.

The International Economy

Trade in Goods and Services

The U.S. international trade deficit narrowed to \$36 billion in January from \$39.9 billion in December, as a steep fall in imports more than offset a fall in exports.

Trade in Goods and Services

	2008	Annual rate			Monthly rate		
		2008			2008		2009
		Q2	Q3	Q4	Nov.	Dec.	Jan.
Percent change							
<i>Nominal BOP</i>							
Exports	-2.9	22.9	9.2	-42.6	-6.1	-5.8	-5.7
Imports	-7.5	18.2	6.2	-49.0	-11.9	-5.8	-6.7
<i>Real NIPA</i>							
Exports	-1.8	12.3	3.0	-23.6	...	...	...
Imports	-7.1	-7.3	-3.5	-16.0	...	...	...
Billions of dollars							
<i>Nominal BOP</i>							
Net exports	-681.1	-725.7	-723.5	-561.5	-42.5	-39.9	-36.0
Goods, net	-820.8	-871.5	-865.0	-696.5	-53.3	-51.3	-47.0
Services, net	139.7	145.8	141.5	134.9	10.8	11.4	10.9

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

BOP Balance of payments.

NIPA National income and product accounts.

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

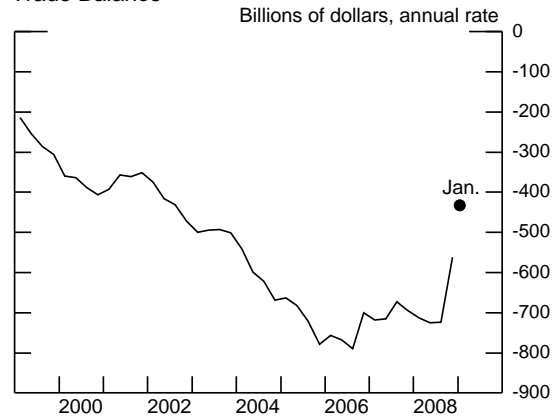
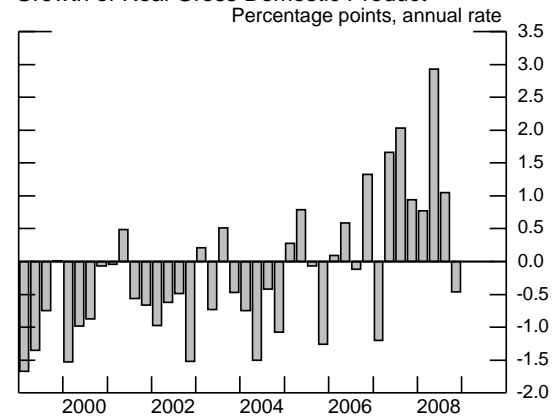
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The value of exports of goods and services fell 5.7 percent in January, following as similarly sized decline in December. All major categories of exports decreased. A substantial portion of the overall fall in exports was due to a decline in exports of capital goods, particularly in exports of machinery, and automotive products. Exports of industrial supplies, consumer goods, and services also moved down.

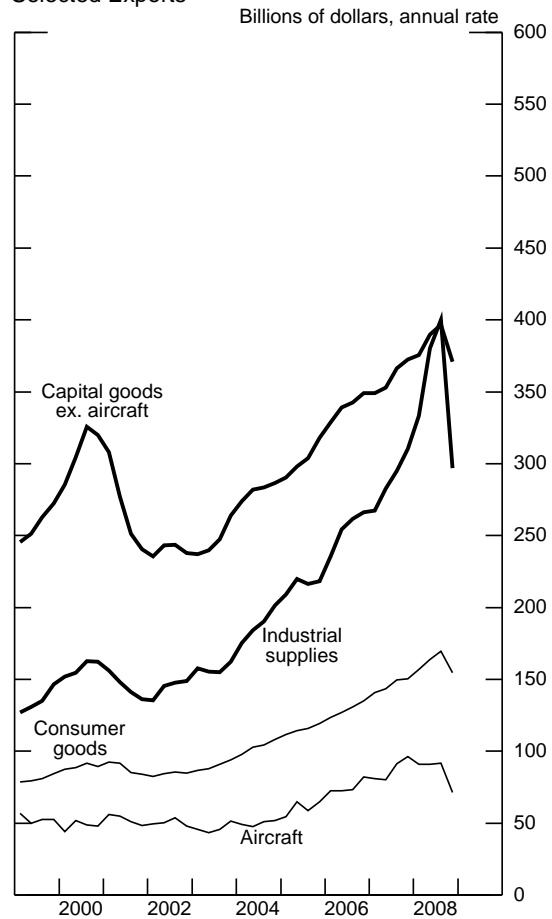
The value of imports of goods and services fell 6.7 percent in January, with all major categories recording declines. The overall fall in imports was primarily due to declines in imports of oil, automotive products, and capital goods. The decline in the value of oil imports mainly reflected a lower price as volumes were little changed. Imports of automotive products declined as automakers made significant production cutbacks throughout North America. Imports of industrial supplies, consumer goods, and services also came in lower.

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

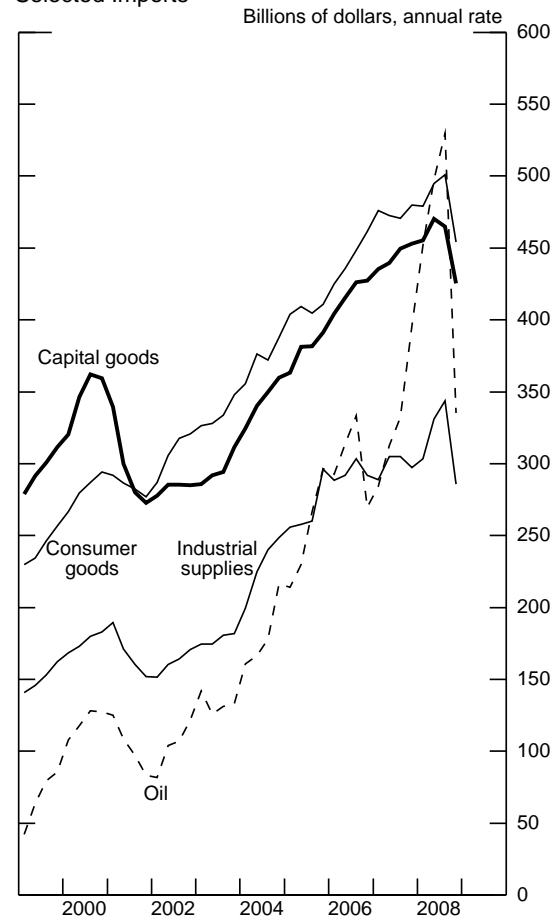
Trade Balance

Contribution of Net Exports to
Growth of Real Gross Domestic Product

Selected Exports



Selected Imports



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

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

	Levels				Change ¹			
	2008		2008	2009	2008		2008	2009
	Q3	Q4	Dec.	Jan.	Q3	Q4	Dec.	Jan.
Exports of goods and services	1943.6	1692.0	1590.2	1498.9	42.2	-251.7	-97.8	-91.3
Goods exports	1385.1	1162.0	1065.0	986.4	36.9	-223.1	-99.5	-78.6
Gold	17.7	13.4	12.5	15.6	-1.3	-4.3	-.8	3.1
Other goods	1367.4	1148.6	1052.5	970.8	38.2	-218.7	-98.7	-81.6
Capital goods	488.1	442.4	432.3	396.4	7.2	-45.7	-6.3	-36.0
Aircraft & parts	91.4	71.3	89.8	86.6	.4	-20.2	27.0	-3.2
Computers & accessories	46.4	38.9	37.1	35.4	-.7	-7.4	-1.2	-1.7
Semiconductors	53.6	44.4	37.0	31.3	2.1	-9.2	-9.2	-5.7
Other capital goods	296.7	287.9	268.4	243.1	5.4	-8.9	-22.9	-25.3
Automotive	131.3	106.9	92.5	66.3	7.7	-24.4	-15.1	-26.2
Ind. supplies (ex. ag., gold)	399.4	296.9	247.5	235.6	19.4	-102.5	-51.4	-11.9
Consumer goods	169.4	154.7	147.5	136.9	5.5	-14.6	-9.5	-10.6
Agricultural	128.1	100.1	89.1	90.8	.0	-28.0	-11.1	1.7
All other goods	51.0	47.6	43.6	44.9	-1.7	-3.3	-59.2	1.3
Services exports	558.6	530.0	525.2	512.4	5.3	-28.6	1.8	-12.7
Imports of goods and services	2667.2	2253.5	2069.0	1931.2	40.0	-413.6	-128.4	-137.8
Goods imports	2250.1	1858.5	1680.2	1550.0	30.4	-391.6	-123.8	-130.2
Oil	528.9	334.9	267.6	218.1	31.3	-194.1	-19.4	-49.4
Gold	12.7	6.6	4.7	5.6	.1	-6.1	-2.0	.9
Other goods	1708.5	1517.0	1407.9	1326.3	-1.0	-191.4	-102.3	-81.7
Capital goods	464.9	425.2	405.1	381.9	-5.3	-39.7	-16.6	-23.3
Aircraft & parts	34.3	32.3	34.5	28.6	-3.9	-1.9	3.6	-5.9
Computers & accessories	103.3	86.6	78.2	78.1	-6.1	-16.7	-7.8	-.0
Semiconductors	26.2	23.1	20.7	18.6	-.8	-3.1	-2.2	-2.1
Other capital goods	301.2	283.2	271.8	256.6	5.4	-18.0	-10.2	-15.3
Automotive	232.4	195.2	177.7	138.2	-17.1	-37.3	-19.4	-39.5
Ind. supplies (ex. oil, gold)	343.7	285.9	241.8	234.8	12.7	-57.8	-49.3	-7.1
Consumer goods	500.6	454.1	433.7	428.5	6.0	-46.5	-9.5	-5.2
Foods, feeds, beverages	91.9	88.3	85.3	82.2	1.7	-3.6	-2.0	-3.1
All other goods	75.0	68.3	64.3	60.7	1.1	-6.6	-5.6	-3.6
Services imports	417.1	395.0	388.8	381.3	9.6	-22.0	-4.5	-7.5
Memo:								
Oil quantity (mb/d)	12.21	13.36	14.78	14.60	-.20	1.15	2.84	-.18
Oil import price (\$/bbl)	118.34	69.35	49.57	40.89	8.38	-48.98	-16.25	-8.68

1. Change from previous quarter or month.

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

Prices of Internationally Traded Goods

Non-oil imports. Following January's 0.8 percent decline, the prices of core imports fell a further 0.4 percent in February. For both months, the drop was due to falling prices for material-intensive goods. The prices of foods, feeds, and beverages fell 3.2 percent in February, and those for non-fuel industrial supplies fell 0.7 percent. Declining prices for chemicals contributed the most to the fall in the price of industrial supplies, but all other categories saw their prices fall as well. Prices for finished goods were little changed, as declines in the prices of capital goods excluding computers and semiconductors offset price increases in automotive products.

The average level of core import prices in January and February was 10 percent at an annual rate below the 2008 fourth quarter average, as prices in most sub-categories posted declines. The main contributors to the overall price decline were foods and non-fuel industrial supplies, whose prices fell at annual rates of 6½ percent and 33½ percent, respectively. The average price of imported finished goods declined at an annual rate of just ¼ percent.

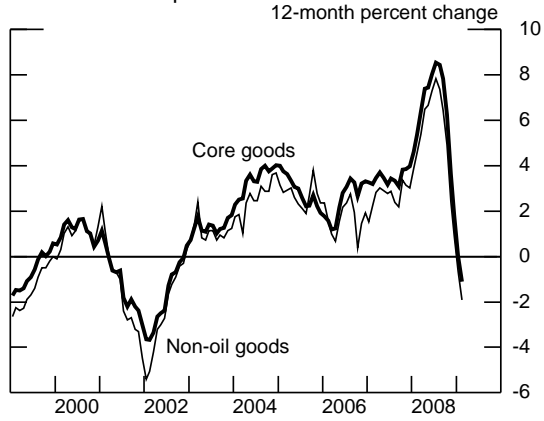
Oil. The BLS price index for imported oil increase 3.9 percent in February, marking the first increase in the index in last six months. The spot price of West Texas intermediate crude oil averaged \$39 per barrel in February, but has since moved higher to close most recently at \$46.25 on March 13.

Exports. Following a 0.8 percent increase in January, the prices of exported core goods fell 0.2 percent in February. Prices of agricultural products increased 6.2 percent in January but fell back 1.7 percent in February. Prices of exported finished goods were flat in February following a 0.7 percent rise in January.

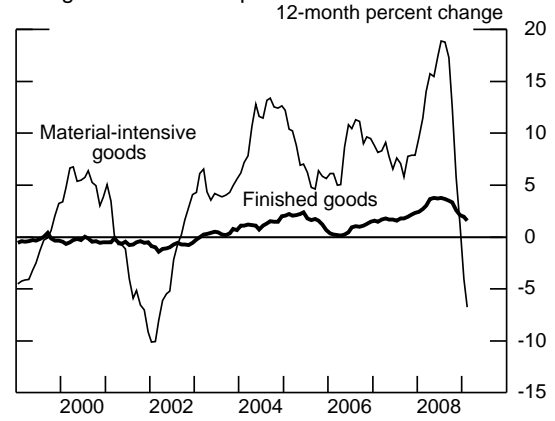
The average level of core export prices in January and February was 9¼ percent at an annual rate below the fourth quarter average, as prices for material-intensive goods fell 22 percent. In contrast, prices of exported finished goods rose 2½ percent.

Prices of U.S. Imports and Exports

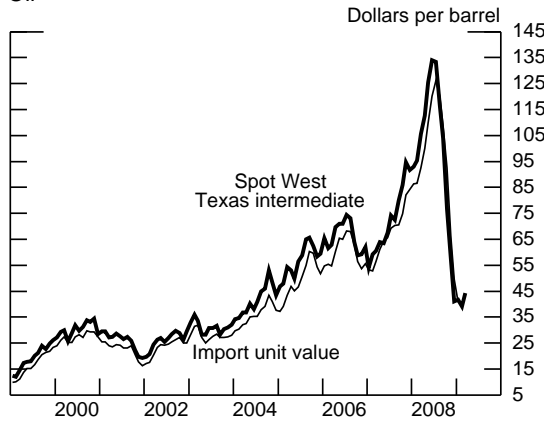
Merchandise Imports



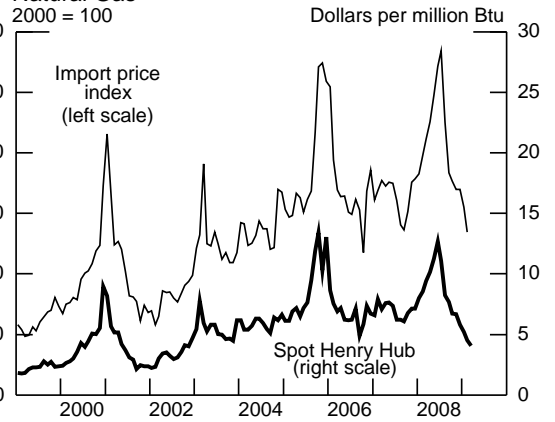
Categories of Core Imports



Oil



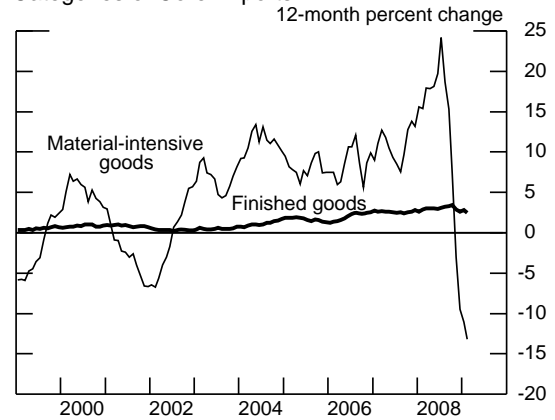
Natural Gas



Merchandise Exports



Categories of Core Exports



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

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

	Annual rate			Monthly rate		
	2008		2009	2008	2009	
	Q3	Q4	Q1 ^e	Dec.	Jan.	Feb.
	----- BLS prices -----					
Merchandise imports	4.1	-47.8	-24.9	-4.6	-1.2	-.2
Oil	5.8	-93.2	-77.5	-25.2	-4.2	3.9
Non-oil	3.3	-11.9	-9.3	-1.1	-.8	-.6
Core goods ¹	6.1	-11.6	-9.9	-1.3	-.8	-.4
Finished goods	2.3	-1.0	-.2	-.2	.2	-.0
Cap. goods ex. comp. & semi.	4.4	-.4	.7	-.2	.5	-.3
Automotive products	1.2	-.6	.7	-.1	.3	.2
Consumer goods	1.4	-1.6	-1.1	-.2	.0	.0
Material-intensive goods	13.8	-29.3	-27.9	-3.7	-3.1	-1.3
Foods, feeds, beverages	11.1	-16.6	-6.4	2.2	.0	-3.2
Industrial supplies ex. fuels	14.5	-32.6	-33.4	-5.4	-4.1	-.7
Computers	-8.2	-7.2	-7.5	-.7	-.7	-.9
Semiconductors	-6.5	-2.5	-11.3	.5	-3.1	-.1
Natural gas	-25.1	-69.2	-49.6	-.1	-8.5	-13.2
Merchandise exports	3.8	-21.5	-8.1	-2.2	.5	-.1
Core goods ²	5.2	-24.8	-9.3	-2.6	.8	-.2
Finished goods	2.8	1.6	2.5	.1	.7	-.0
Cap. goods ex. comp. & semi.	3.3	1.9	4.4	.2	.9	.2
Automotive products	1.2	1.1	.6	-.1	.4	-.3
Consumer goods	3.0	1.5	-.7	-.1	.3	-.3
Material-intensive goods	7.7	-46.2	-22.0	-5.9	1.0	-.5
Agricultural products	5.8	-53.1	-6.3	-6.2	6.2	-1.7
Industrial supplies ex. ag.	8.5	-44.6	-27.5	-5.9	-.9	-.1
Computers	-8.8	-8.6	-7.3	-1.1	-1.1	.2
Semiconductors	-6.5	-13.8	-6.3	-.5	-2.2	1.9
	----- NIPA prices -----					
Chain price index						
Imports of goods & services	9.2	-37.1	n.a	...	...	...
Non-oil merchandise	2.9	-9.7	n.a	...	...	...
Core goods ¹	4.6	-8.3	n.a	...	...	...
Exports of goods & services	6.7	-21.9	n.a	...	...	...
Total merchandise	5.6	-24.2	n.a	...	...	...
Core goods ²	6.6	-25.6	n.a	...	...	...

1. Excludes computers, semiconductors, and natural gas.

2. Excludes computers and semiconductors.

e Estimate based on average of two months.

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

BLS Bureau of Labor Statistics.

NIPA National income and product accounts.

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