

## **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.

April 24, 2009

# CURRENT ECONOMIC AND FINANCIAL CONDITIONS

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## **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

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### The Domestic Nonfinancial Economy

#### Sales of New and Existing Homes

The recent data on both new and existing home sales are consistent with the tentative signs of stabilization in the housing market. Sales of new homes held about flat in March at a February level that was revised up noticeably. The stock of unsold new homes continued to fall in March and reached its lowest level since 2001, though, with sales still at a depressed level, months' supply remained extremely elevated. Sales of existing single-family home sales edged down 3 percent in March, retracing much of February's increase. These sales have now fluctuated for several months at a level a touch above 4 million units.

#### Orders and Shipments of Nondefense Capital Goods

Shipments of nondefense capital goods excluding aircraft fell 1.7 percent in March, resuming a downward trajectory after being flat in February. New orders increased 1.5 percent last month after a rise of 4.3 percent in February.<sup>1</sup> These gains offset only part of the sharp drop in new bookings that occurred in January. With these data, the level of orders remains well below shipments, which points to further declines in shipments in coming months.

Within the high-tech category, orders and shipments of computers and peripherals dropped in March. Shipments of communications equipment fell for the fourth consecutive month, but orders recovered further in March after the plunge around the turn of the year. Outside of the high-tech sector, shipments fell steeply last month, and orders increased less in March than they were revised down in February.

The three-month moving average of the staff's constructed series on real adjusted durable goods orders was down 1.5 percent in March, continuing to reflect the plunge of orders early this year. This series—which strips out nondefense aircraft, defense capital goods, and industries for which reported orders actually equal shipments—is one of the staff's indicators of near-term industrial production.

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<sup>1</sup> The February increase in new orders is now shown to have been 3 percentage points less than previously reported. This revision continues the string of large downward revisions seen since the middle of last year.

### **Correction to Part 1**

In the table that appears on page 13 of Part 1 of the Greenbook, two lines were inadvertently mislabeled. Specifically, the results reported as based on commercial loan credit standards from the Senior Loan Officer Opinion Survey are in fact based on the change in bank credit standards from the survey; the results reported for the change in bank credit standards are in fact based on commercial loan credit standards.

### **The Domestic Financial Economy**

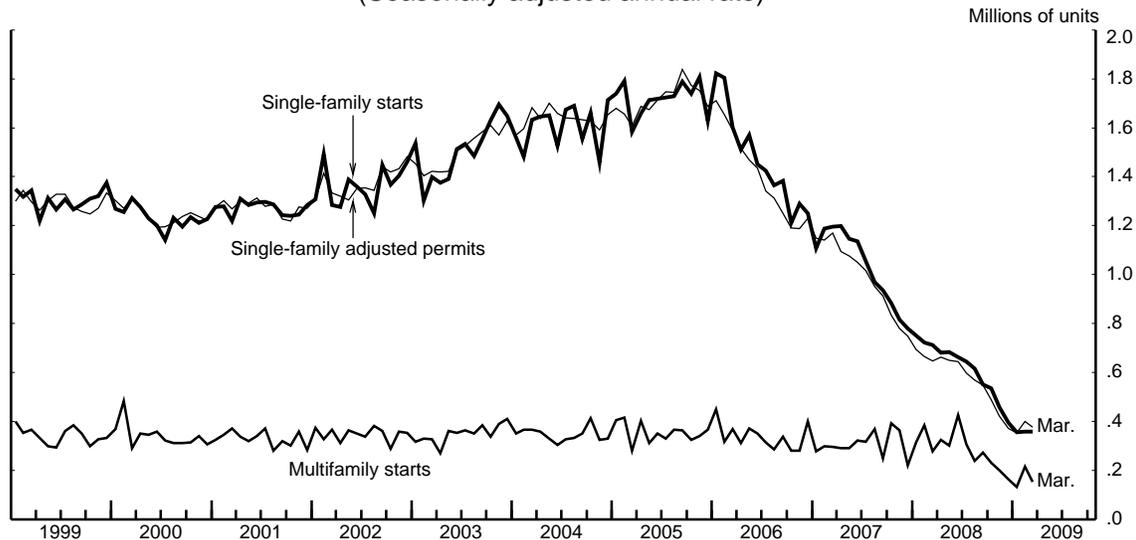
### Private Housing Activity

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

Sector	2008	2008		2009			
		Q3	Q4	Q1	Jan.	Feb.	Mar.
<i>All units</i>							
Starts	.91	.88	.66	.52	.49	.57	.51
Permits	.89	.87	.63	.54	.53	.56	.52
<i>Single-family units</i>							
Starts	.62	.60	.46	.36	.36	.36	.36
Permits	.57	.56	.42	.36	.34	.39	.36
Adjusted permits <sup>1</sup>	.58	.57	.43	.38	.35	.40	.38
Permit backlog <sup>2</sup>	.068	.082	.068	.060	.064	.062	.060
<i>New homes</i>							
Sales	.49	.46	.39	.35	.33	.36	.36
Months' supply <sup>3</sup>	10.65	10.64	11.33	11.26	12.29	10.99	10.48
<i>Existing homes</i>							
Sales	4.35	4.43	4.23	4.12	4.05	4.22	4.10
Months' supply <sup>3</sup>	9.98	9.56	9.79	9.81	9.98	9.64	9.79
<i>Multifamily units</i>							
Starts	.284	.273	.198	.166	.132	.214	.152
Permits	.323	.308	.215	.174	.195	.174	.152
Permit backlog <sup>2</sup>	.053	.062	.053	.050	.055	.052	.050
<i>Mobile homes</i>							
Shipments	.082	.080	.066	n.a.	.054	.051	n.a.
<i>Condos and co-ops</i>							
Existing home sales	.563	.573	.506	.467	.440	.490	.470

- Adjusted permits equal permit issuance plus total starts outside of permit-issuing areas.
  - Number outstanding at end of period. Excludes permits that have expired or have been canceled, abandoned, or revoked. Not at an annual rate.
  - 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.  
Source: Census Bureau.

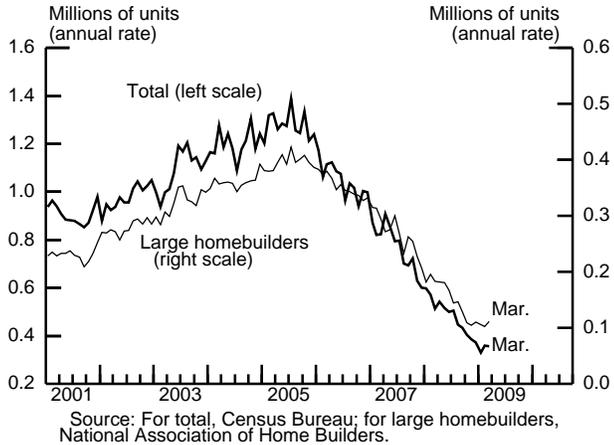
### Private Housing Starts and Permits (Seasonally adjusted annual rate)



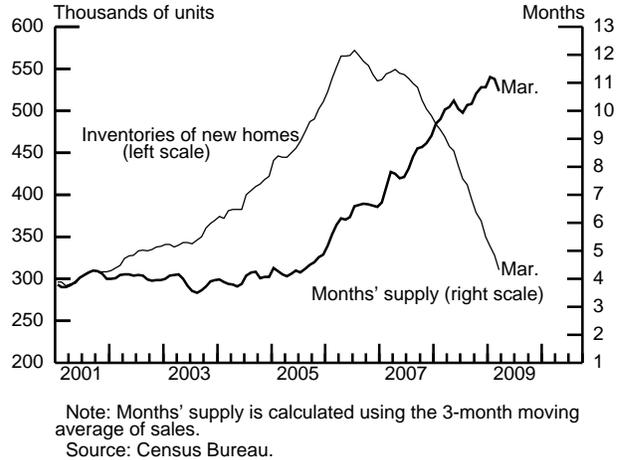
Note: Adjusted permits equal permit issuance plus total starts outside of permit-issuing areas.  
Source: Census Bureau.

## Indicators of Single-Family Housing

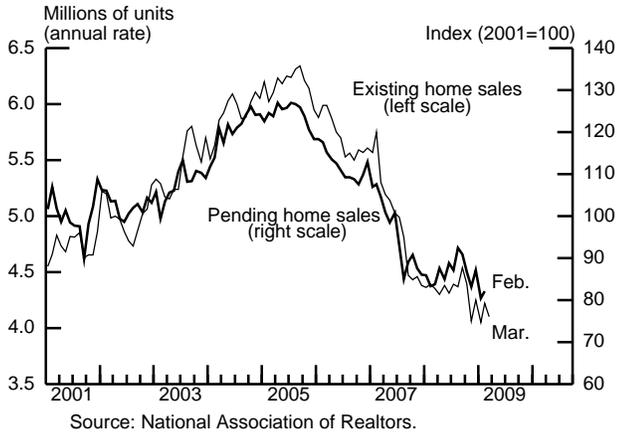
### New Single-Family Home Sales



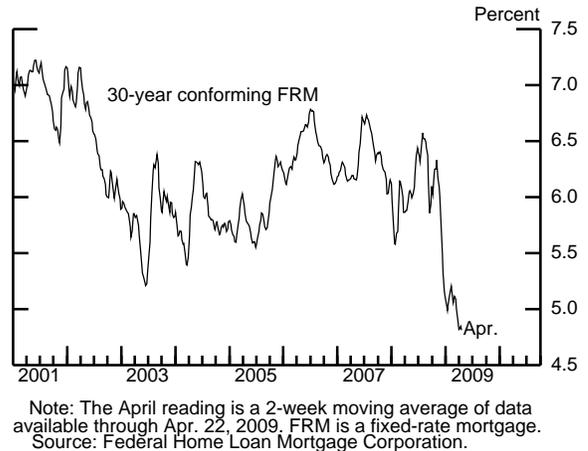
### Inventories of New Homes and Months' Supply



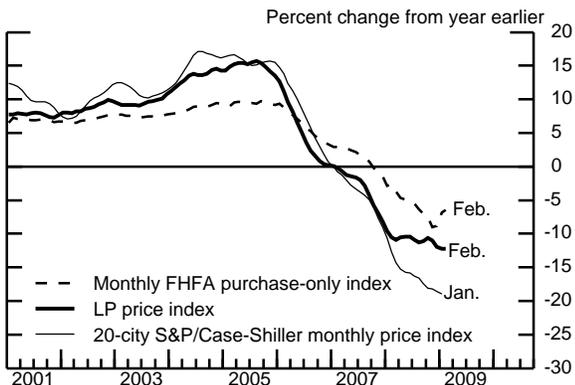
### Existing Single-Family Home Sales



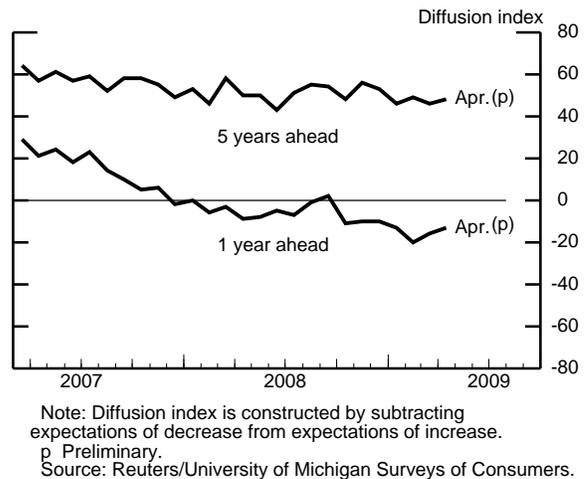
### Mortgage Rates



### Prices of Existing Homes



### House Price Expectations



## Orders and Shipments of Nondefense Capital Goods

(Percent change; seasonally adjusted current dollars)

Category	2008	2009			
	Q4	Q1	Jan.	Feb.	Mar.
	Annual rate		Monthly rate		
Shipments	-19.8	-27.5	-6.6	-3.0	-.9
Excluding aircraft	-15.5	-34.9	-9.4	.1	-1.7
Computers and peripherals	-25.3	1.6	-2.0	1.7	-1.4
Communications equipment	-16.6	-50.2	-10.4	-3.2	-2.3
All other categories <sup>1</sup>	-14.4	-36.0	-9.9	.2	-1.7
Orders	-49.9	-46.9	-9.9	4.9	1.9
Excluding aircraft	-36.5	-41.7	-12.3	4.3	1.5
Computers and peripherals	-20.8	-15.0	-9.9	11.9	-2.0
Communications equipment	-28.7	-63.0	-20.3	5.6	2.3
All other categories <sup>1</sup>	-38.4	-41.4	-11.7	3.4	1.9
Memo:					
Shipments of complete aircraft <sup>2</sup>	26.0	n.a.	50.5	30.3	n.a.

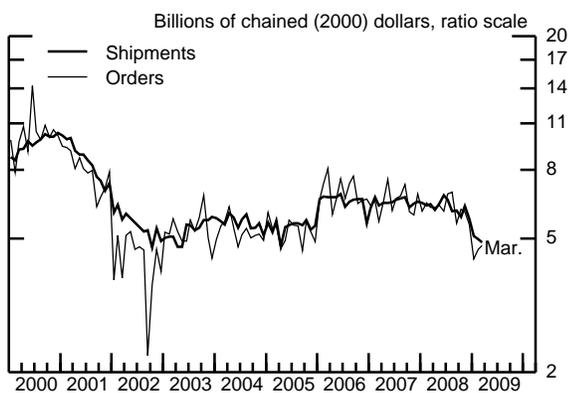
1. Excludes most terrestrial transportation equipment.

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

n.a. Not available.

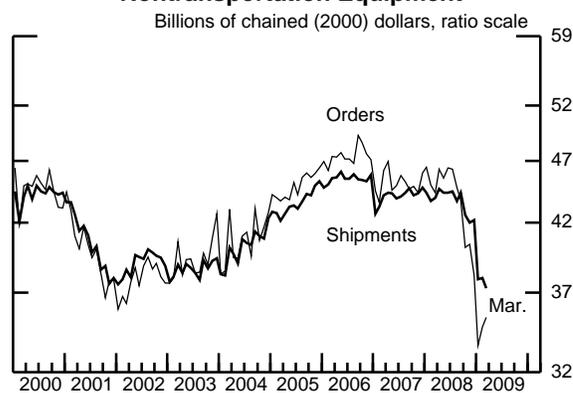
Source: Census Bureau.

### Communications Equipment



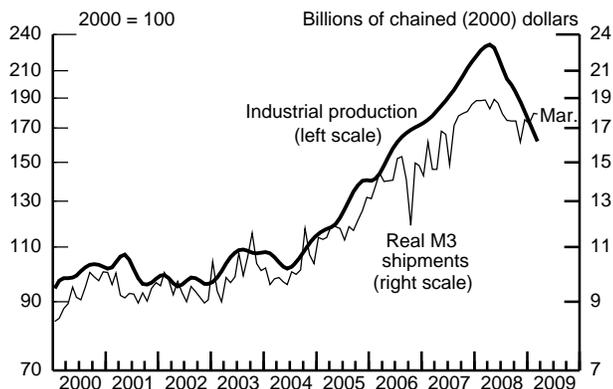
Note: Shipments and orders are deflated by a price index that is derived from the quality-adjusted price indexes of the Bureau of Economic Analysis and uses the producer price index for communications equipment for monthly interpolation.  
Source: Census Bureau.

### Non-High-Tech, Nontransportation Equipment



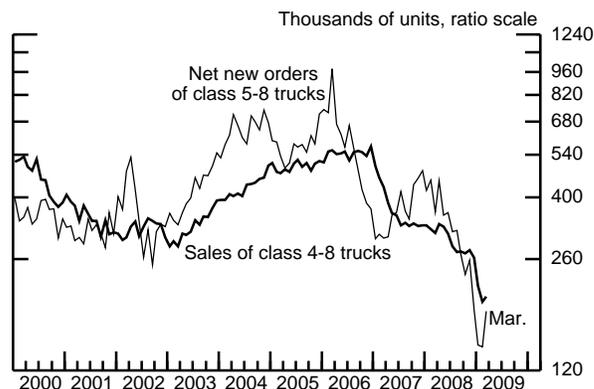
Note: Shipments and orders are deflated by the staff price indexes for the individual equipment types included in this category. Indexes are derived from the quality-adjusted price indexes of the Bureau of Economic Analysis.  
Source: Census Bureau.

### Computers and Peripherals



Note: Ratio scales. Shipments are deflated by the staff price index for computers and peripheral equipment, which is derived from the quality-adjusted price indexes of the Bureau of Economic Analysis.  
Source: Census Bureau; FRB Industrial Production.

### Medium and Heavy Trucks



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

### Commercial Bank Credit

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

Type of credit	2007	2008	H2 2008	Q4 2008	Q1 2009	Mar. 2009	Apr. 2009 <sup>e</sup>	Level <sup>1</sup> Apr. 2009 <sup>e</sup>
Total	10.9	4.4	4.7	6.2	-6.7	-3.8	-14.8	9,325
<i>Loans</i> <sup>2</sup>								
Total	11.3	4.4	2.6	3.1	-6.4	-7.2	-11.9	7,023
To businesses								
Commercial and industrial	19.0	14.2	13.0	18.3	-9.7	-13.0	-18.3	1,520
Commercial real estate	10.7	6.4	2.9	2.0	-1.0	-1.7	-2.4	1,723
To households								
Residential real estate	6.8	-2.3	-3.8	-.7	-.5	2.5	-7.5	2,091
Revolving home equity	6.4	12.9	12.9	13.1	8.3	8.6	1.8	602
Closed-end mortgages	6.9	-7.1	-9.5	-5.8	-4.0	.0	-11.3	1,489
Consumer	6.6	7.9	7.4	6.0	7.3	-10.0	-15.5	881
Originated <sup>3</sup>	6.0	6.4	4.7	3.3	1.9	-7.3	-5.1	1,296
Other	17.1	-1.6	-4.5	-13.7	-36.7	-29.1	-27.2	808
<i>Securities</i>								
Total	9.5	4.6	11.2	16.0	-7.8	6.7	-23.5	2,303
Treasury and agency	-5.6	19.4	37.7	51.6	3.1	7.4	-35.2	1,354
Other <sup>4</sup>	31.1	-10.7	-16.8	-24.7	-22.8	5.7	-6.3	949

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), and the initial adoption of fair value accounting. Data also account for the effects of nonbank structure activity of \$5 billion or more.

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 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.

Source: Federal Reserve.

## III-T-1

**Selected Financial Market Quotations**

(One-day quotes in percent except as noted)

Instrument	2007	2009			Change to Apr. 23 from selected dates (percentage points)			
	Aug. 6	Jan. 27	Mar. 17	Apr. 23	2007 Aug. 6	2009 Jan. 27	2009 Mar. 17	
<i>Short-term</i>								
FOMC intended federal funds rate	5.25	.13	.13	.13	-5.12	.00	.00	
Treasury bills <sup>1</sup>								
3-month	4.74	.13	.24	.10	-4.64	-.03	-.14	
6-month	4.72	.32	.44	.30	-4.42	-.02	-.14	
Commercial paper (A1/P1 rates) <sup>2</sup>								
1-month	5.26	.29	.44	.30	-4.96	.01	-.14	
3-month	5.29	2.04	.66	.40	-4.89	-1.64	-.26	
Large negotiable CDs <sup>1</sup>								
3-month	5.34	1.08	1.08	.87	-4.47	-.21	-.21	
6-month	5.27	1.57	1.83	1.48	-3.79	-.09	-.35	
Eurodollar deposits <sup>3</sup>								
1-month	5.33	.75	1.00	.90	-4.43	.15	-.10	
3-month	5.35	1.75	1.65	1.50	-3.85	-.25	-.15	
Bank prime rate	8.25	3.25	3.25	3.25	-5.00	.00	.00	
<i>Intermediate- and long-term</i>								
U.S. Treasury <sup>4</sup>								
2-year	4.49	.68	1.04	.90	-3.59	.22	-.14	
5-year	4.52	1.74	2.14	1.98	-2.54	.24	-.16	
10-year	4.82	3.17	3.47	3.30	-1.52	.13	-.17	
U.S. Treasury indexed notes <sup>5</sup>								
5-year	2.43	1.84	2.04	1.55	-.88	-.29	-.49	
10-year	2.48	1.97	2.26	1.92	-.56	-.05	-.34	
Municipal general obligations (Bond Buyer) <sup>6</sup>	4.51	5.13	5.03	4.57	.06	-.56	-.46	
Private instruments								
10-year swap	5.44	2.84	3.14	3.11	-2.33	.27	-.03	
10-year FNMA <sup>7</sup>	5.34	3.65	4.04	3.82	-1.52	.17	-.22	
10-year AA <sup>8</sup>	6.12	6.03	6.99	6.31	.19	.28	-.68	
10-year BBB <sup>8</sup>	6.57	8.94	9.25	8.57	2.00	-.37	-.68	
10-year high yield <sup>8</sup>	9.21	14.68	16.41	14.01	4.80	-.67	-2.40	
Home mortgages (FHLMC survey rate)								
30-year fixed	6.59	5.10	4.98	4.80	-1.79	-.30	-.18	
1-year adjustable	5.65	4.90	4.91	4.82	-.83	-.08	-.09	
<b>Stock exchange index</b>								
Stock exchange index	Record high		2009			Change to Apr. 23 from selected dates (percent)		
	Level	Date	Jan. 27	Mar. 17	Apr. 23	Record high	2009 Jan. 27	2009 Mar. 17
Dow Jones Industrial	14,165	10-9-07	8,175	7,396	7,957	-43.82	-2.66	7.59
S&P 500 Composite	1,565	10-9-07	846	778	852	-45.57	.73	9.48
Nasdaq	5,049	3-10-00	1,505	1,462	1,652	-67.27	9.79	13.00
Russell 2000	856	7-13-07	456	404	467	-45.47	2.42	15.62
D.J. Total Stock Index	15,807	10-9-07	8,524	7,878	8,701	-44.95	2.07	10.45

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 27, 2009, is the day before the January 2009 FOMC monetary policy announcement.

March 17, 2009, is the day before the most recent FOMC monetary policy announcement.