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December 15, 2000

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## Domestic Economic Developments

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### The Nonfinancial Economy

#### Prices

The consumer price index increased 0.2 percent in November. Over the past twelve months, the CPI has risen 3.4 percent, about 3/4 percentage point more than the pace in the preceding year; higher energy price inflation and a pickup in core inflation have contributed about equally to the acceleration in overall inflation. Excluding food and energy, the CPI rose 0.3 percent last month; this increase included an outsized jump in tobacco prices that we had not anticipated. Over the past twelve months, the core CPI on a current-methods basis has moved up 2.5 percent, 0.3 percentage point more than in the previous twelve-month period. Excluding tobacco as well as food and energy, the core index has accelerated 0.5 percentage point over the past year.

The CPI for energy edged up 0.1 percent in November, but was 16 percent higher than a year earlier. Prices of heating oil rose a little last month, and the retail margin remained at an extremely elevated level. Prices of motor fuel and electricity also ticked up in November. Natural gas prices dropped back last month, but spot prices point to a substantial increase in December.

Retail food prices were unchanged in November as lower prices for meats, poultry, fish, and eggs, were offset by higher prices for fruits, vegetables, and a range of other items. Poultry prices fell substantially, pulled down by a large decline in the index for turkeys. Over the past twelve months, the CPI for food has increased 2-1/4 percent, a bit less than the increase in core prices.

Prices of core commodities increased 0.3 percent in November, boosted by the pickup in tobacco prices and a further increase in the index for used cars. Since June, retail tobacco prices have exhibited a see-saw pattern of alternating increases and decreases because the tobacco companies have frequently adjusted discounts. As of November, tobacco prices were up about 11 percent over the preceding twelve months. Light vehicle prices were essentially unchanged in November, but used car prices rose 0.9 percent, the third consecutive large increase. Overall, core commodity prices have increased 0.7 percent over the past twelve months, nearly 1/4 percentage point less than their year-ago pace; however, excluding tobacco as well, core commodity prices have accelerated 1/2 percentage point over the past twelve months.

Prices of non-energy services rose 0.3 percent in November. Airfares increased 0.7 percent after having declined for two months, and the twelve-month change stood at 5 percent. Both owners' equivalent rent and tenants' rent moved up 0.3 percent last month. Elsewhere among services, price increases were modest. Overall, the CPI for non-energy services rose 3.4 percent over the twelve months ending in November, about 3/4 percentage point more than in the preceding twelve-month period.

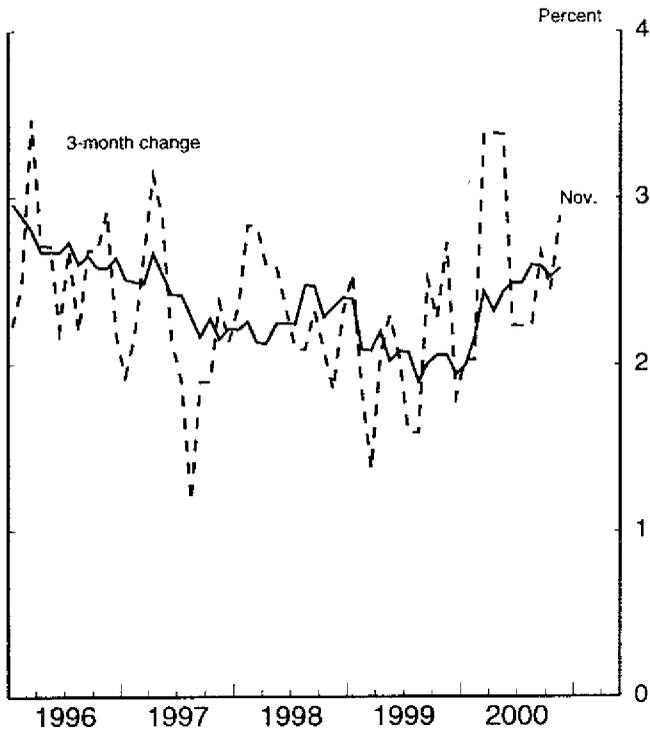
CPI AND PPI INFLATION RATES  
(Percent)

	From 12 months earlier		2000		2000	
	Nov. 1999	Nov. 2000	Q2	Q3	Oct.	Nov.
			-Annual rate-		-Monthly rate-	
<u>CPI</u>						
All items (100.0) <sup>1</sup>	2.6	3.4	3.6	3.1	.2	.2
Food (15.3)	1.9	2.2	2.6	4.0	.1	.0
Energy (7.0)	10.6	16.0	13.8	9.8	.2	.1
CPI less food and energy (77.7)	2.1	2.6	2.9	2.5	.2	.3
Commodities (23.4)	.8	.7	1.3	-.1	-.1	.3
New vehicles (4.8)	-.3	-.3	1.8	-.1	-.4	.1
Used cars and trucks (1.9)	1.4	2.0	4.6	1.4	1.1	.9
Apparel (4.7)	-1.0	-1.3	-2.2	-3.5	.3	-.4
Tobacco (1.3)	31.5	11.1	15.1	5.6	-2.8	3.6
Other Commodities (10.7)	-.6	.6	.5	.4	.0	.2
Services (54.3)	2.7	3.4	3.5	3.4	.2	.3
Shelter (29.9)	2.5	3.5	3.5	3.2	.3	.3
Medical care (4.5)	3.4	4.7	5.1	5.1	.3	.1
Other Services (20.0)	2.7	2.9	3.2	3.4	.1	.3
<u>PPI</u>						
Finished goods (100.0) <sup>2</sup>	3.1	3.7	3.4	2.7	.4	.1
Finished consumer foods (22.9)	.4	2.0	4.7	-3.1	.8	.2
Finished energy (13.8)	14.8	18.8	10.5	18.1	1.4	.4
Finished goods less food and energy (63.3)	1.8	1.0	1.6	1.3	-.1	.0
Consumer goods (38.9)	2.9	1.0	1.5	1.4	.0	-.1
Capital equipment (24.4)	.1	1.1	1.1	1.4	.0	.0
Intermediate materials (100.0) <sup>3</sup>	2.8	4.2	4.4	3.7	.2	-.2
Intermediate materials less food and energy (81.7)	1.5	1.7	3.6	1.0	.0	-.1
Crude materials (100.0) <sup>4</sup>	16.7	14.9	26.7	15.1	3.4	-2.0
Crude food materials (39.0)	-2.8	1.0	8.9	-24.6	3.5	1.3
Crude energy (39.0)	47.8	36.3	67.0	76.4	4.6	-4.1
Crude materials less food and energy (22.0)	9.5	-3.4	-7.1	-13.6	-.6	-2.3

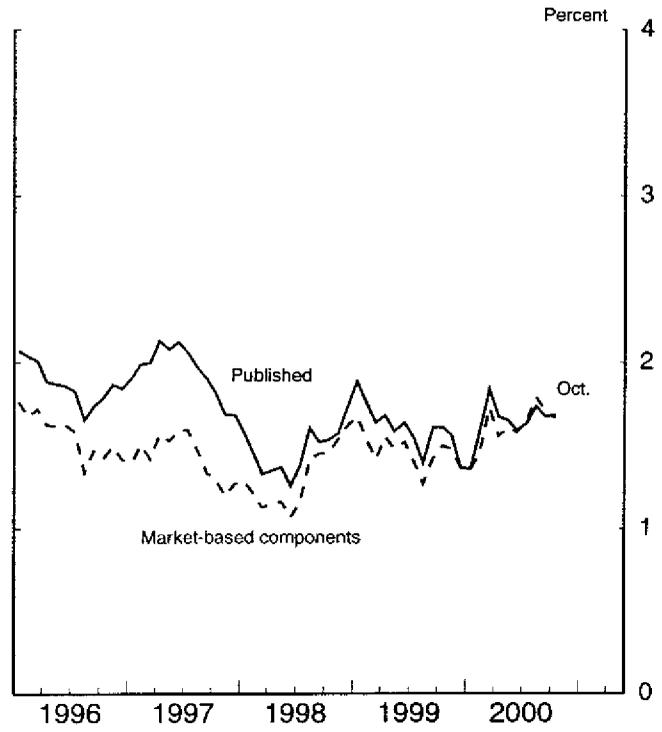
1. Relative importance weight for CPI, December 1999.
2. Relative importance weight for PPI, December 1999.
3. Relative importance weight for intermediate materials, December 1999.
4. Relative importance weight for crude materials, December 1999.

## Measures of Core Consumer Price Inflation (12-month change except as noted)

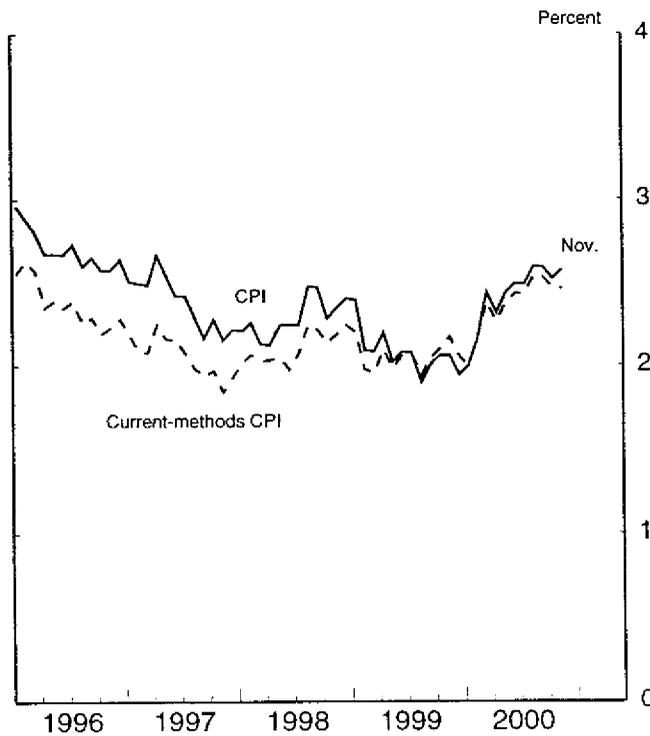
### CPI Excluding Food and Energy



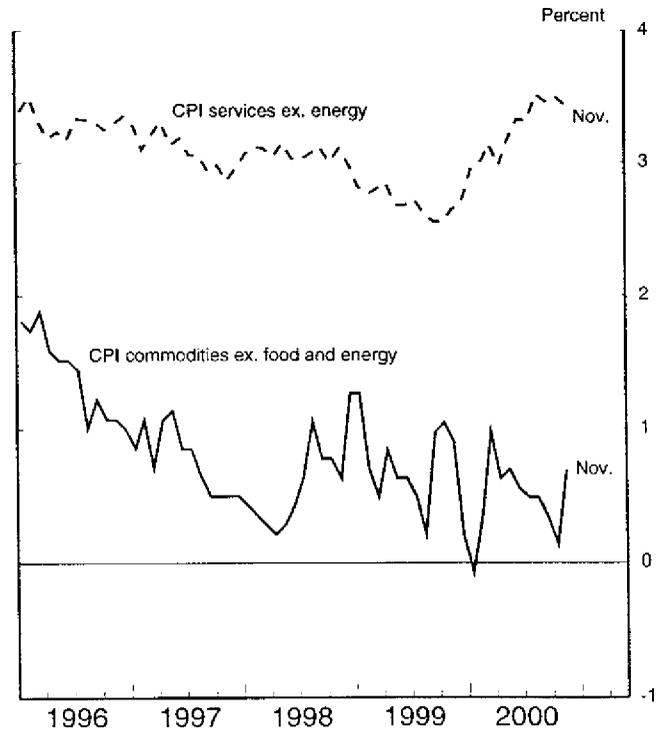
### PCE Excluding Food and Energy



### CPI Excluding Food and Energy



### CPI Services and Commodities



SELECTED COMPONENTS OF INDUSTRIAL PRODUCTION  
(Percent change from preceding comparable period)

	Proportion 1999	1999 <sup>1</sup>	2000		2000		
			H1 <sup>1</sup>	Q3	Sept.	Oct.	Nov.
			-Annual rate-		--Monthly rate---		
Total (Previous)	100.0	5.1 (5.1)	7.3 (7.3)	3.7 (3.5)	.3 (.2)	-.1 (-.1)	-.2
Manufacturing	89.2	5.6	7.6	3.8	.4	.0	-.5
Excluding:							
High technology industries	80.6	2.3	1.9	-1.3	.1	-.2	-.8
Motor vehicles and parts	83.3	5.5	7.6	5.0	.3	.2	-.3
Mining	4.8	-.5	2.1	2.6	-.8	.0	.1
Utilities	5.9	2.3	8.1	2.9	1.0	-2.0	3.6
Selected industries:							
High technology	8.7	40.6	72.0	57.1	2.4	1.7	1.5
Computers	2.6	54.3	46.5	51.9	3.0	2.4	1.8
Communication equipment	2.0	13.4	35.3	41.6	1.7	2.5	2.1
Semiconductors <sup>2</sup>	4.1	47.8	109.8	67.0	2.3	.9	1.0
Motor vehicles and parts	5.9	5.9	6.4	-11.4	.8	-3.6	-2.8
Aircraft and parts	2.5	-17.3	-7.7	11.6	.0	.3	2.0
Market groups, excluding selected industries and energy products:							
Consumer goods	23.3	2.5	1.7	.0	-.1	-.2	-.3
Durables	3.8	7.8	-.8	-10.1	1.1	-1.4	-.4
Nondurables	19.5	1.5	2.2	2.1	-.3	.0	-.3
Business equipment	8.6	.8	8.0	4.0	-.1	.5	-1.1
Construction supplies	6.3	4.5	3.6	-1.1	.4	-.2	-1.0
Materials	24.9	3.3	.7	-3.1	.3	-.1	-.9
Durables	16.6	2.1	2.5	-.7	.5	-.7	-.9
Nondurables	8.3	5.6	-2.6	-7.6	.0	.9	-.9

1. From the final quarter of the previous period to the final quarter of the period indicated.

2. Includes related electronic components.

CAPACITY UTILIZATION  
(Percent of capacity)

	1988-89	1959-99	2000		2000		
	High	Avg.	H1	Q3	Sept.	Oct.	Nov.
Manufacturing	85.7	81.6	81.6	81.7	81.7	81.4	80.6
Primary processing	88.3	82.6	85.9	85.4	85.2	84.8	83.3
Advanced processing	84.2	81.2	79.7	80.1	80.2	79.9	79.7

Turning to producer prices, the PPI for finished goods increased 0.1 percent in November. Excluding food and energy, the core index was flat last month, just a touch below our expectation. Over the past twelve months, the core PPI has increased 1 percent, about 3/4 percentage point less than in the year-earlier period. However, tobacco prices more than accounted for that deceleration; excluding tobacco as well as food and energy items, the twelve-month change in the finished goods PPI has picked up about 1/2 percentage point over the past year.

The PPI for capital goods was unchanged in November, with most items registering only small changes last month. Computer prices—a category in which big price declines have been the longer-run norm—fell just 0.3 percent in November, continuing the string of modest price declines observed recently.<sup>1</sup> Over the past twelve months, computer prices were down about 14 percent, compared with a decline of roughly 20 percent over the preceding twelve-month period. Partly reflecting the less steep drop in computer prices, overall prices of capital goods have accelerated about 1 percentage point over the past year, with a twelve-month change that is roughly 1 percent.

At earlier stages of processing, the PPI for core intermediate goods edged down 0.1 percent in November. Although these prices have risen 1-3/4 percent over the past year, twelve-month changes in this series have moved lower since the spring. The PPI for core crude goods fell 2-1/4 percent further in November, with sizable declines registered for metals, tobacco, and other items. Over the past year, the core crude index has fallen 3-1/2 percent, down substantially from the 9-1/2 percent increase registered in the year-earlier period.

### **Industrial Production**

Industrial production ticked down in both October and November, on the heels of third-quarter gains that were roughly half the size of the increases posted in the first half of the year. Production at utilities surged last month in response to the unseasonably cold weather. But manufacturing output fell 0.5 percent in November as the recent slowing of manufacturing activity became more widespread. The manufacturing operating rate edged down to 80.6 percent—about a percentage point below its long-run average.

High-tech production has been rising noticeably more slowly in the last two months than during the third quarter. The production of computers posted only

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1. In contrast to the modest decrease in computer hardware prices, the PPI for applications software—which can be quite volatile on a monthly basis—plunged 7 percent in November following an upward surge earlier in the year. This software price index is used by the BEA as the quarterly indicator for prepackaged software prices in the NIPAs. Because this index is a component of the PPI for service industries, it is not included in the finished goods PPI.

CHANGES IN MANUFACTURING AND TRADE INVENTORIES  
(Billions of dollars; annual rate except as noted;  
based on seasonally adjusted Census book value)

Category	2000			2000		
	Q1	Q2	Q3	Aug.	Sept.	Oct.
Manufacturing and trade	60.8	105.9	61.9	102.3	24.6	91.1
Less wholesale and retail motor vehicles	50.9	72.3	53.5	67.0	28.7	73.3
Manufacturing	22.0	24.6	27.4	16.1	14.9	35.7
Less aircraft	18.6	30.0	29.4	18.8	14.7	34.7
Merchant wholesalers	25.1	36.2	12.4	22.6	1.9	12.8
Less motor vehicles	21.6	33.1	16.3	25.7	6.4	12.2
Retail trade	13.6	45.1	22.1	63.6	7.9	42.7
Automotive dealers	6.4	30.5	12.2	38.4	.4	17.2
Less automotive dealers	7.2	14.6	9.9	25.2	7.4	25.5

SELECTED INVENTORY-SALES RATIOS IN MANUFACTURING AND TRADE  
(Months' supply, based on seasonally adjusted Census book value)

Category	Cyclical reference points		Range over preceding 12 months		October 2000
	1990-91	1991-98	High	Low	
	high	low			
Manufacturing and trade	1.58	1.37	1.34	1.31	1.35
Less wholesale and retail motor vehicles	1.55	1.34	1.30	1.27	1.30
Manufacturing	1.75	1.36	1.30	1.25	1.30
Primary metals	2.08	1.46	1.60	1.53	1.62
Steel	2.56	1.59	2.14	1.87	2.13
Nonelectrical machinery	2.48	1.61	1.56	1.40	1.44
Electrical machinery	2.08	1.21	1.21	1.09	1.14
Transportation equipment	2.93	1.51	1.50	1.32	1.51
Motor vehicles	.97	.53	.59	.52	.60
Aircraft	5.84	4.05	4.53	3.51	4.20
Fabricated metals	1.95	1.49	1.62	1.51	1.63
Textiles	1.71	1.38	1.67	1.52	1.67
Paper	1.32	1.06	1.20	1.12	1.21
Chemicals	1.44	1.25	1.39	1.30	1.38
Petroleum	.94	.80	.77	.66	.71
Rubber and plastics	1.47	1.16	1.31	1.22	1.32
Merchant wholesalers	1.36	1.24	1.30	1.27	1.30
Less motor vehicles	1.31	1.22	1.28	1.25	1.28
Durable goods	1.83	1.53	1.62	1.55	1.62
Nondurable goods	.96	.90	.96	.94	.96
Retail trade	1.61	1.45	1.45	1.40	1.45
Less automotive dealers	1.48	1.38	1.35	1.32	1.33
Automotive dealers	2.23	1.58	1.80	1.60	1.82
General merchandise	2.68	2.01	1.94	1.85	1.87
Apparel	2.54	2.29	2.29	2.18	2.25
Food	.83	.79	.82	.78	.78

a modest gain in November, and the rate of increase in the output of semiconductors—particularly in the production of microprocessors used in computers—has decreased substantially in recent months. However, the communications equipment industry was still an area of strength in October and November; increases in production for that industry remained above long-run averages.

Elsewhere in manufacturing, the scaling back in motor vehicle assemblies—an 8 percent decline in October followed by a smaller reduction last month—affected production at parts facilities as well as other upstream industries. Parts production fell off more than 4 percent last month, and we estimate that the motor vehicle-related cutbacks in the stampings, iron and steel, flat glass, and other downstream industries contributed about a third of the 0.3 percent decline in manufacturing excluding motor vehicles and parts production.

Nonetheless, November's downturn in manufacturing IP excluding high-tech was widespread, including industries not indirectly affected by the motor vehicles sector. Production in each IP market category, excluding motor vehicles and high-tech, declined last month. Industries that have posted noteworthy declines since the third quarter include lumber, appliances, furniture, textiles, and industrial equipment. Both the lumber and steel industries have been particularly hard-hit by import competition.

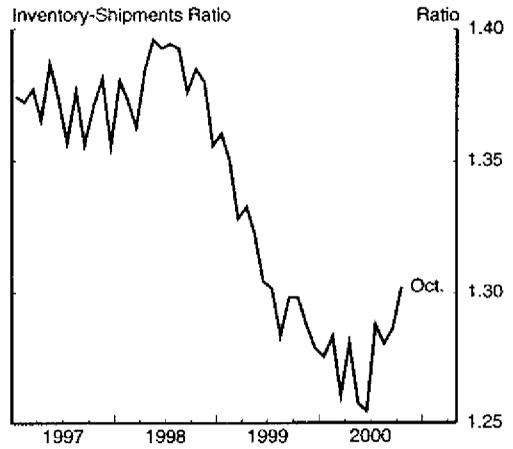
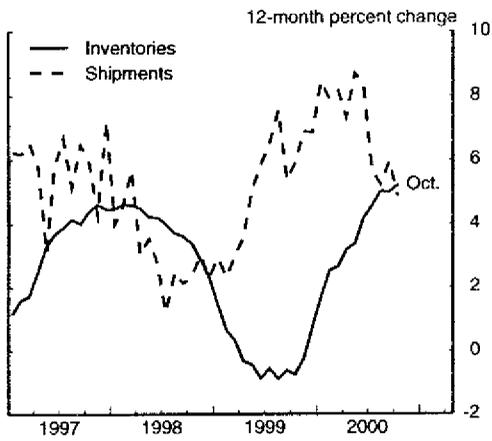
### **Business Inventories**

The book value of retail inventories increased at an annual rate of \$42.7 billion in October. Excluding stocks held by auto dealers, retail inventories rose at a \$25.5 billion rate; non-auto inventory accumulation in September was revised up some to \$7.4 billion, putting stockbuilding in the third quarter as a whole at about \$10 billion. Sales at retail establishments (excluding motor vehicles) rose 0.4 percent in October, and the inventory-sales ratio, which has been little changed since the beginning of the year, held steady at 1.33 months.

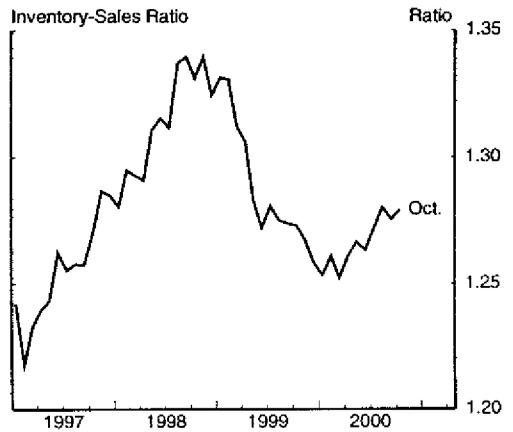
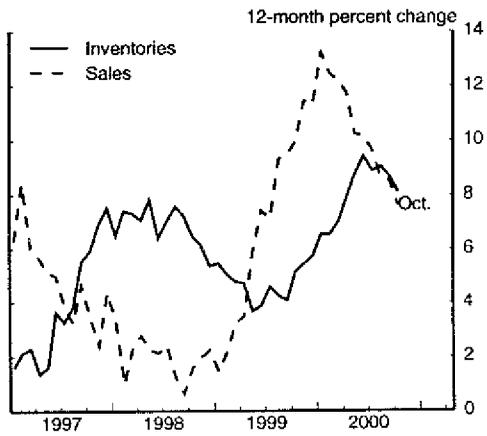
Stocks held by non-auto retailers of durable goods increased at an annual rate of \$6.6 billion in October, led by a rise in inventories held at furniture and appliance outlets and at retailers of "other" durable goods (a category including sporting goods, optical goods, books, and jewelry). Sales in the latter grouping declined 1.2 percent in October, and the inventory-sales ratio retraced its large decline in September. Stores selling nondurable goods built stocks at an \$18.9 billion pace in October. Increases were widespread, but especially large at general merchandise stores where the inventory-sales ratio ticked up. Still, sales at all retailers of nondurable goods rose 0.5 percent in October, and the inventory-sales ratio for this grouping remained unchanged at 1.09 months.

## Inventories and Sales

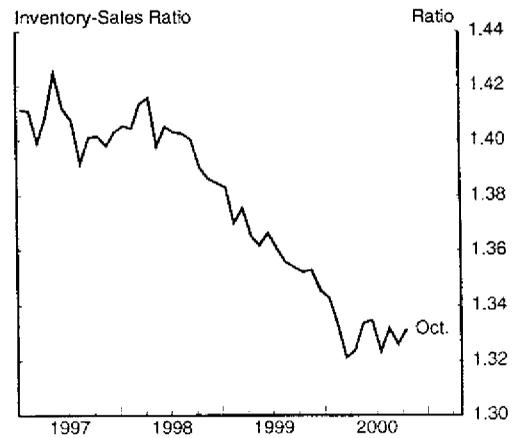
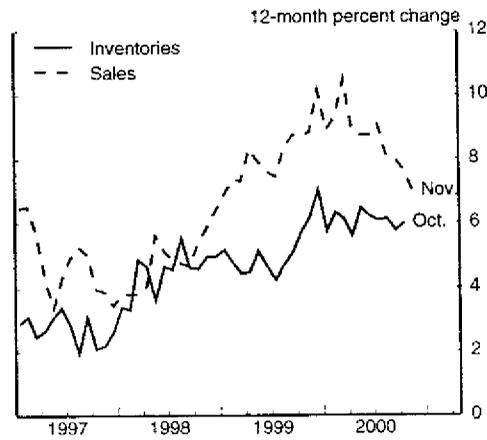
### Manufacturing



### Wholesale Trade Excluding Motor Vehicles



### Retail Trade Excluding Motor Vehicles



Note. Inventories are book value.

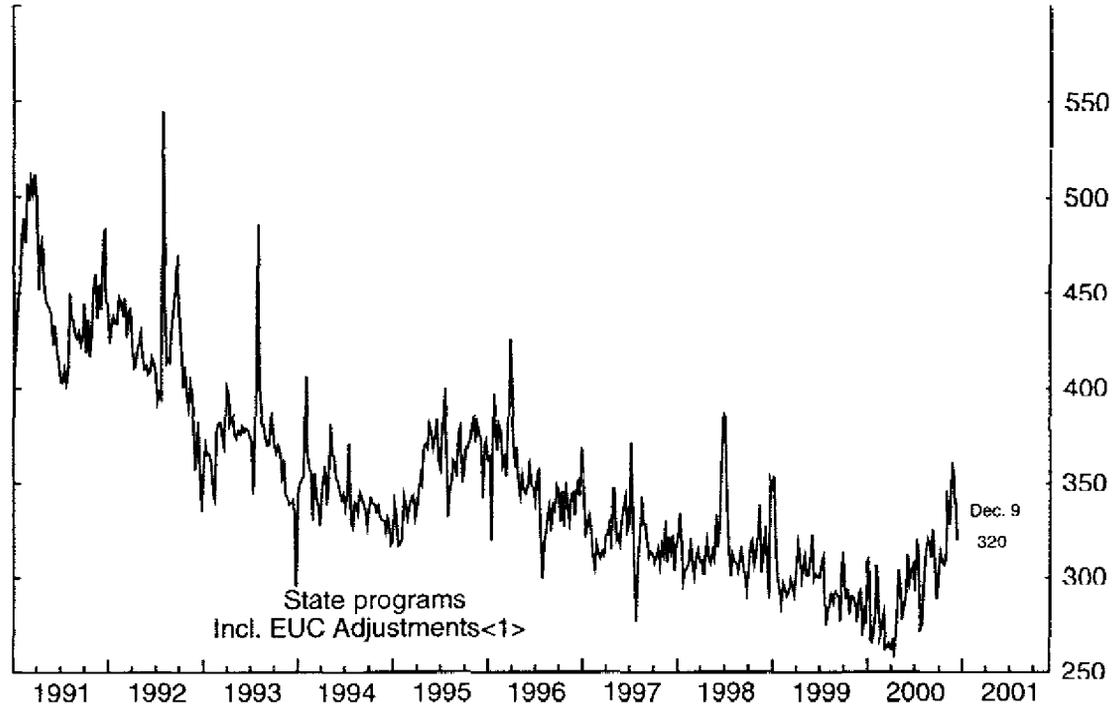
For the entire manufacturing and trade sector excluding motor vehicles, book-value inventories expanded at an annual rate of \$73.3 billion in October, well above the upward-revised \$53.5 billion rate recorded in the third quarter. The inventory-sales ratio for manufacturing and trade excluding motor vehicles edged up to 1.30 months; on balance, however, this ratio has changed little since late last year.

#### **Unemployment Insurance Claims**

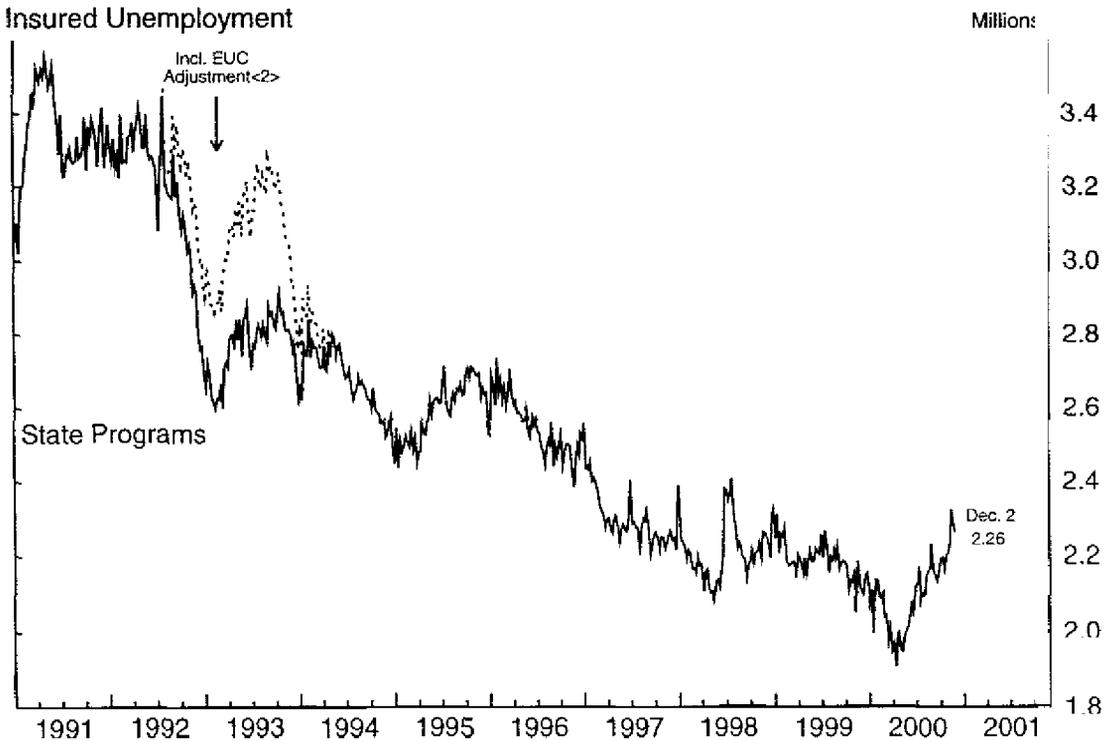
Initial claims for unemployment insurance under state programs dropped back 32,000 to 320,000 for the week ended December 9. Changes in the number of workers affected by temporary plant shutdowns in the motor vehicle industry probably contributed about 5,000 of this decline. Moreover, seasonal adjustment of claims is especially difficult during the holiday season, and the four-week moving average of initial claims, which avoids some of the weekly volatility, was almost unchanged at 343,000.

### Unemployment Insurance (Weekly data; seasonally adjusted, BLS basis)

#### Initial Claims



#### Insured Unemployment



<1> Beginning July 18, 1992, includes initial claims filed under the emergency unemployment benefits program by individuals also eligible to file under regular programs. The EUC program ended on April 30, 1994.  
<2> Includes staff estimate of emergency benefits recipients who are also eligible to file under regular programs.

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

Instrument	1999	2000			Change to Dec. 14 from selected dates (percentage points)		
	June 29	May 15	FOMC* Nov. 15	Dec. 14	1999 June 29	2000 May 15	FOMC* Nov. 15
<i>Short-term</i>							
FOMC intended federal funds rate	4.75	6.00	6.50	6.50	1.75	.50	.00
<i>Treasury bills</i> <sup>1</sup>							
3-month	4.70	5.94	6.18	5.89	1.19	-.05	-.29
6-month	4.92	6.24	6.08	5.76	.84	-.48	-.32
1-year	4.89	6.05	5.87	5.41	.52	-.64	-.46
<i>Commercial paper</i>							
1-month	5.18	6.47	6.50	6.54	1.36	.07	.04
3-month	5.12	6.59	6.53	6.32	1.20	-.27	-.21
<i>Large negotiable CDs</i> <sup>1</sup>							
1-month	5.21	6.55	6.56	6.61	1.40	.06	.05
3-month	5.32	6.74	6.64	6.47	1.15	-.27	-.17
6-month	5.43	6.97	6.63	6.33	.90	-.64	-.30
<i>Eurodollar deposits</i> <sup>2</sup>							
1-month	5.13	6.53	6.53	6.59	1.46	.06	.06
3-month	5.25	6.72	6.64	6.47	1.22	-.25	-.17
Bank prime rate	7.75	9.00	9.50	9.50	1.75	.50	.00
<i>Intermediate- and long-term</i>							
<i>U.S. Treasury (constant maturity)</i>							
2-year	5.68	6.88	5.92	5.43	-.25	-1.45	-.49
10-year	5.93	6.47	5.76	5.23	-.70	-1.24	-.53
30-year	6.07	6.17	5.81	5.45	-.62	-.72	-.36
U.S. Treasury 10-year indexed note	4.01	4.21	3.85	3.77	-.24	-.44	-.08
Municipal revenue (Bond Buyer) <sup>3</sup>	5.62	6.23	5.79	5.59	-.03	-.64	-.20
<i>Private instruments</i>							
10-year swap	6.81	7.82	6.90	6.14	-.67	-1.68	-.76
10-year FNMA	6.59	7.70	6.69	6.02	-.57	-1.68	-.67
Merrill Lynch BBB	7.60	8.86	8.36	8.09	.49	-.77	-.27
High yield <sup>4</sup>	10.53	11.94	12.85	13.06	2.53	1.12	.21
<i>Home mortgages (FHLMC survey rate)<sup>5</sup></i>							
30-year fixed	7.63	8.52	7.79	7.54	-.09	-.98	-.25
1-year adjustable	5.93	6.96	7.23	7.21	1.28	.25	-.02

Stock exchange index	Record high		2000			Change to Dec. 14 from selected dates (percent)		
	Level	Date	May 15	FOMC* Nov. 15	Dec. 14	Record high	May 15	FOMC* Nov. 15
Dow-Jones Industrial	11,723	1-14-00	10,808	10,681	10,675	-8.94	-1.23	-.06
S&P 500 Composite	1,527	3-24-00	1,452	1,383	1,341	-12.21	-7.67	-3.04
Nasdaq (OTC)	5,049	3-10-00	3,608	3,138	2,729	-45.96	-24.37	-13.06
Russell 2000	606	3-9-00	498	487	462	-23.81	-7.23	-5.15
Wilshire 5000	14,752	3-24-00	13,438	12,847	12,329	-16.42	-8.25	-4.03

1. Secondary market.
  2. Bid rates for Eurodollar deposits collected around 9:30 a.m. Eastern time.
  3. Most recent Thursday quote.
  4. Merrill Lynch 175 high-yield bond index composite.
  5. For week ending Friday previous to date shown.
- \* Data are as of the close on November 14, 2000.

NOTE. June 29, 1999 is the day before the beginning of the most recent sequence of policy tightenings.  
 NOTE. May 15, 2000 is the day before the most recent tightening.

## **International Developments**

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### **U.S. International Transactions**

#### **Prices of Internationally Traded Goods**

**Oil.** The price of imported oil (BLS) rose 2.0 percent in November following a decline by a similar magnitude in October. Following the Clinton administration's decision to release 30 million barrels of oil from the Strategic Petroleum reserve in late September, the spot price of West Texas Intermediate (WTI) fell from its post Gulf War high of \$37.20 per barrel to near \$30 per barrel. During October and November, however, spot oil prices again moved higher as tensions in the Middle East and Iraqi threats to suspend exports raised the possibility that oil supplies from the region could be disrupted. The onset of cold weather also provided a boost to prices. Spot WTI averaged over \$34 per barrel during November, but in early December fell below \$30 per barrel, as the United Nations approved a new phase of the oil-for-food program for Iraq and as supply concerns were allayed by strong statements from major oil producing and consuming nations.

**Non-oil imports.** Prices of imported non-oil goods declined in November after being unchanged in October, with decreases recorded in all major trade categories except industrial supplies, computers, and automotive products. For October-November on average, the price of both non-oil imports and imported core goods (which exclude oil, computers, and semiconductors) declined slightly. This compares with moderate increases recorded during the past five quarters. In October-November, declines in prices of imported foods, machinery (other than computers and semiconductors), automotive products, and consumer goods more than offset increases in prices of non-oil industrial supplies (led by the continued rise in natural gas prices). Prices of imported computers fell and prices of imported semiconductors rose.

**Exports.** Prices of total goods exports were unchanged in November as increases in prices of agricultural products (for the third consecutive month) were offset by declines in prices of other goods exports. For October-November on average, the price of exported core goods (which exclude computers, semiconductors, and agricultural products) rose 0.3 percent at an annual rate, which is a smaller increase than recorded in the third quarter. Prices of core goods exports have moderated each quarter this year, and in most major trade categories. Export prices of both computers and semiconductors declined in October-November.

#### **U.S. Current Account through 2000:Q3**

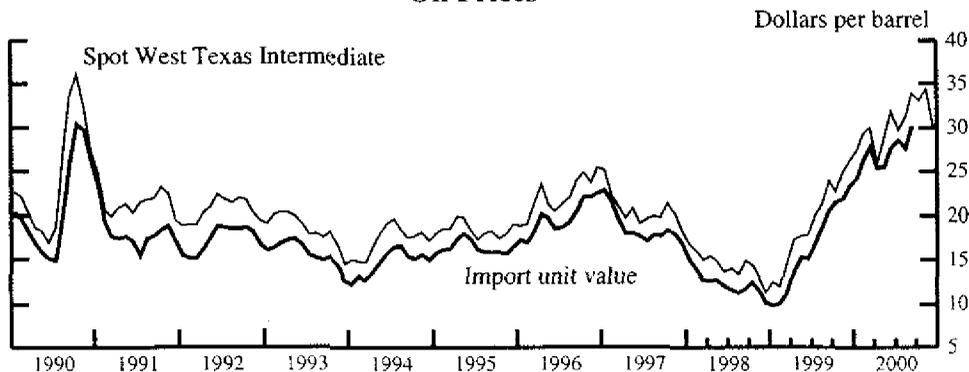
The U.S. current account deficit rose to \$455 billion at a seasonally adjusted annual rate in the third quarter of 2000, an increase of \$35 billion over the second quarter (revised). The increase in the current account deficit was driven by a \$32 billion (annual rate) widening in the deficit on goods and services. An

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

	Annual rates			Monthly rates		
	2000			2000		
	Q2	Q3	Q4 <sup>e</sup>	Sept.	Oct.	Nov.
	----- BLS prices (1995 weights)-----					
<b>Merchandise imports</b>	0.1	6.7	1.6	1.1	-0.5	0.2
Oil	-6.3	52.7	19.5	10.3	-3.2	2.0
Non-oil	1.0	0.9	-0.6	-0.2	0.0	-0.1
Core goods*	1.5	1.5	-0.2	-0.2	0.1	-0.1
Foods, feeds, beverages	-4.4	-4.6	-4.9	-0.7	-0.1	-1.5
Industrial supplies ex oil	9.8	8.6	2.0	-0.6	0.6	0.1
Computers	-9.1	-3.4	-10.2	-0.4	-2.5	0.2
Semiconductors	0.0	-4.9	0.9	-0.2	0.3	-0.2
Cap. goods ex comp & semi	0.3	-1.5	-1.5	-0.1	-0.2	-0.1
Automotive products	1.4	0.5	-0.1	-0.2	0.1	0.1
Consumer goods	-1.9	-0.5	-0.8	-0.2	0.0	-0.1
<b>Merchandise exports</b>	2.0	-0.1	1.0	0.6	-0.1	0.0
Agricultural	5.7	-12.1	10.2	3.2	0.5	1.1
Nonagricultural	1.5	1.1	0.1	0.3	-0.1	-0.1
Core goods*	2.1	1.8	0.3	0.4	-0.1	-0.1
Industrial supplies ex ag	5.9	2.8	0.6	1.1	-0.4	-0.2
Computers	-4.5	-2.2	-1.4	0.0	-0.2	0.0
Semiconductors	-4.1	-5.5	-3.0	-0.1	-0.6	-0.1
Cap. goods ex comp & semi	1.3	1.0	0.7	0.0	0.1	0.1
Automotive products	0.8	1.0	0.1	0.1	0.0	-0.1
Consumer goods	-0.1	0.0	-0.6	-0.2	0.0	0.0
	---Prices in the NIPA accounts (1996 weights)---					
<b>Chain price index</b>						
Imports of goods & services	0.2	3.6	n.a.	...	...	...
Non-oil merchandise	0.8	0.6	n.a.	...	...	...
Core goods*	1.8	1.4	n.a.	...	...	...
Exports of goods & services	1.9	0.8	n.a.	...	...	...
Nonag merchandise	1.3	0.9	n.a.	...	...	...
Core goods*	2.3	1.1	n.a.	...	...	...

\* / Excludes computers and semiconductors.  
<sup>e</sup> / Average of two months.  
 n.a. Not available. ... Not applicable.

**Oil Prices**



\$11 billion (annual rate) decline in the services balance was attributed in part to royalty payments for the 2000 Olympic Games. The deficits on investment income and unilateral transfers widened slightly in the third quarter. For portfolio investment income, payments increased \$12 billion more than receipts (at an annual rate), as net portfolio liabilities continued to grow. On the other hand, for direct investment income, payments fell \$10 billion more than receipts, reflecting reduced profitability of foreign holdings in the U.S. manufacturing sector. The increase in net outflows of unilateral transfers was mostly the result of a small increase in U.S. government grants.

**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>				
1998	-166.9	-1.0	-49.2	-217.1
1999	-265.0	-13.1	-53.4	-331.5
<i>Quarterly</i>				
1999:Q4	-305.1	-17.3	-62.5	-384.9
2000:Q1	-340.5	-11.9	-53.6	-406.0
Q2	-354.4	-10.8	-54.7	-419.9
Q3	-386.0	-12.7	-56.4	-455.1
<i>Change</i>				
Q4-Q3	-14.2	-0.5	-11.5	-26.3
Q1-Q4	-35.4	5.4	8.9	-21.1
Q2-Q1	-13.9	1.1	-1.1	-13.9
Q3-Q2	-31.6	-1.9	-1.7	-35.2

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

**U.S. International Financial Transactions through 2000:Q3**

Balance of payments data for the third quarter were released on Thursday, December 14. Direct investment inflows declined significantly from their extraordinary level in the second quarter, but remained very strong, even by recent standards (line 7 of the Summary of U.S. International Transactions Table). As in recent quarters, the third quarter inflow was buoyed by foreign acquisition of U.S. firms. U.S. acquisition of foreign securities through stock swaps, a financing offset to some of the merger inflows, also declined significantly between the second and third quarters (line 5c). U.S. direct investment abroad declined very slightly (line 6).

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Net shipments of U.S. currency to foreigners (line 8) fell marginally in the third quarter; and the capital account balance was unchanged.

The statistical discrepancy (last line), which reflects net errors and omissions in recorded transactions, was negative \$9 billion in the third quarter. The cumulative statistical discrepancy for the first three quarters of 2000 stood at negative \$13.5 billion.

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

	1998	1999	1999	2000				
			Q4	Q1	Q2	Q3	Sept.	Oct
<b>Official financial flows</b>	<b>-23.4</b>	<b>55.0</b>	<b>29.0</b>	<b>22.1</b>	<b>9.1</b>	<b>12.5</b>	<b>-1.9</b>	<b>9</b>
1. Change in foreign official assets in U.S. (increase, +)	-16.6	46.4	27.4	22.7	7.1	12.8	-6	1.0
a. G-10 countries	6.9	49.7	10.2	11.1	5.6	-3.9	-4.2	3.7
b. OPEC countries	-9.0	2.0	-1.7	5.7	1.2	3.3	-1	.0
c. All other countries	-14.4	-5.3	19.0	5.9	.4	13.2	3.6	-2.7
2. Change in U.S. official reserve assets (decrease, +)	-6.8	8.6	1.6	-6	2.0	-.3	-1.3	-.1
<b>Private financial flows</b>	<b>170.6</b>	<b>268.4</b>	<b>40.7</b>	<b>35.4</b>	<b>143.6</b>	<b>110.5</b>	<b>...</b>	<b>...</b>
<b>Banks</b>								
3. Change in net foreign positions of banking offices in the U.S. <sup>1</sup>	57.3	-9.8	-16.6	-31.0	50.8	-18.0	-35.7	30.8
<b>Securities<sup>2</sup></b>								
4. Foreign net purchases of U.S. securities (+)	275.2	319.0	74.1	122.7	67.1	109.4	30.6	46.1
a. Treasury securities	49.3	-20.0	-17.1	-9.1	-20.5	-12.5	-3.9	4.0
b. Agency bonds	50.5	71.9	15.6	26.0	19.0	28.6	12.0	13.1
c. Corporate and municipal bonds	121.7	158.8	40.6	43.5	41.6	45.7	13.6	12.9
d. Corporate stocks	53.7	108.2	35.0	62.1	27.0	47.5	8.9	16.2
5. U.S. net acquisitions (-) of foreign securities	-107.3	-113.0	-17.3	-25.2	-30.3	-18.6	10.8	-21.5
a. Bonds	-17.4	-5.7	2.0	-9.3	10.8	-9.0	.3	-3.2
b. Stock purchases	6.2	15.6	-5.9	-15.9	6.9	-3.9	10.5	3.2
c. Stock swaps <sup>3</sup>	-96.1	-122.9	-13.4	.0	-48.0	-5.7	.0	-21.5
<b>Other flows (quarterly data, s.a.)</b>								
6. U.S. direct investment (-) abroad	-146.1	-150.9	-33.3	-43.0	-37.5	-36.1	...	..
7. Foreign direct investment in U.S.	186.3	275.5	49.4	49.0	100.3	64.9	...	..
8. Foreign holdings of U.S. currency	16.6	22.4	12.2	-6.8	1.0	.8	...	...
9. Other (inflow, +) <sup>4</sup>	-111.4	-74.8	-27.8	-30.3	-7.8	8.1	...	...
<b>U.S. current account balance (s.a.)</b>	<b>-217.1</b>	<b>-331.5</b>	<b>-96.2</b>	<b>-101.5</b>	<b>-105.0</b>	<b>-113.8</b>	<b>...</b>	<b>...</b>
<b>Capital account balance (s.a.)<sup>5</sup></b>	<b>.2</b>	<b>-3.5</b>	<b>-4.0</b>	<b>.2</b>	<b>.2</b>	<b>.2</b>	<b>...</b>	<b>...</b>
<b>Statistical discrepancy (s.a.)</b>	<b>69.7</b>	<b>11.6</b>	<b>30.5</b>	<b>43.8</b>	<b>-47.9</b>	<b>-9.4</b>	<b>...</b>	<b>...</b>

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

1. Changes in dollar-denominated positions of all depository institutions and bank holding companies plus certain transactions between broker-dealers and unaffiliated foreigners (particularly borrowing and lending under repurchase agreements). Includes changes in custody liabilities other than U.S. Treasury bills.

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

3. U.S. acquisitions of foreign equities associated with foreign takeovers of U.S. firms.

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

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

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