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January 26, 2001

# CURRENT ECONOMIC AND FINANCIAL CONDITIONS

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## **Supplemental Notes**

## **Contents**

<b>Domestic Nonfinancial Economy</b> .....	1
Orders and Shipments of Capital Goods .....	1

### *Tables*

New Orders for Durable Goods .....	1
Business Capital Spending Indicators .....	3

### *Chart*

Orders and Shipments for Nondefense Equipment . . . . .	4
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## **The Financial Economy**

### *Table*

Selected Financial Market Quotations .....	5
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## Supplemental Notes

### The Domestic Nonfinancial Economy

#### Orders and Shipments of Capital Goods

New orders for total durable goods increased 2.2 percent in December. Orders were boosted by a huge increase in bookings for civilian aircraft and parts; excluding this category, orders fell 2.1 percent last month. The staff's constructed series on real adjusted durable goods orders—which strips out nondefense aircraft, defense capital goods, and industries for which reported orders actually equal shipments—was down 0.3 percent in December. For the fourth quarter as a whole, real adjusted durable goods orders fell 2 percent.

#### New Orders for Durable Goods

(Percent change from preceding period; seasonally adjusted)

Component	Share, 2000:H2	2000				
		Q3	Q4	Oct.	Nov.	Dec.
<b>Total orders</b>	<b>100.0</b>	<b>-3.5</b>	<b>-2.5</b>	<b>-6.6</b>	<b>1.8</b>	<b>2.2</b>
Adjusted orders <sup>2</sup>	71.0	-1.3	-2.8	-3.8	-.1	-.8
Computers	7.0	6.8	-2.8	7.4	-1.1	-15.3
Communication equipment	5.0	-9.5	-2.1	-7.6	.1	.7
Other capital goods	14.0	.7	-6.7	-6.2	-3.9	2.6
Other <sup>3</sup>	45.0	-2.2	-1.7	-4.4	1.1	.4
Memo:						
Real adjusted orders	...	-.4	-2.0	-3.6	.2	-.3
Excluding high tech	.	.7	-14.2	-2.1	-2.0	-.2

1. Quarterly rate.

2. Orders excluding defense capital goods, nondefense aircraft, and motor vehicle parts.

3. Includes primary metals, most fabricated metals, most stone, clay, and glass products, electronic components, household appliances, scientific instruments, and miscellaneous durable goods.

Not applicable.

New orders for nondefense capital goods excluding aircraft and parts fell 3 percent in December, pulled down by a 15.3 percent decline in bookings for office and computing equipment. New orders for communications equipment rose 0.8 percent last month; still, orders for communications equipment—which had dropped 7.9 percent in the third quarter of 2000—were down another 1.1 percent for the fourth quarter as a whole. Outside of the high-tech and aircraft sectors, new orders rose 2.6 percent last month. Large increases were recorded in bookings for items with long lead times—notably engines and turbines, railroad equipment, and items in the shipbuilding and ordnance category (orders in these latter two sectors are also quite volatile). In contrast,

new orders for industrial and metalworking machinery and for search and navigation equipment fell last month. For the fourth quarter as a whole, non-high-tech orders dropped 7 percent, and the backlog of unfilled orders fell 2.2 percent.

Shipments for nondefense capital goods excluding aircraft and parts edged down 0.3 percent in December. Nominal shipments of office and computing equipment fell 6.2 percent last month and were down 2.1 percent for the fourth quarter as a whole. In contrast, shipments of communications equipment bounced back 4.5 percent in December and posted a small gain in the fourth quarter. Outside of high-tech, shipments rose 1.2 percent in December; the most notable gains were in the construction and mining equipment, railroad equipment, shipbuilding, and electrical machinery categories. However, shipments of industrial machinery posted further declines. For the quarter as a whole, shipments of non-high-tech items fell 1.2 percent.

On balance, these data came in very close to the assumptions underlying the Greenbook forecast. Although computer shipments were weaker than we had expected, shipments of communications equipment were stronger. Orders were a bit weaker than we had been assuming, but this largely reflected the drop in bookings for office and computing equipment, which generally contain little leading information about future shipments of computing equipment.

Today's release also contained a revision to the estimate of manufacturers' inventories in November. Manufacturers' inventories accumulated at an annual rate of \$22.5 billion in November, \$4.3 billion less than had been reported previously.

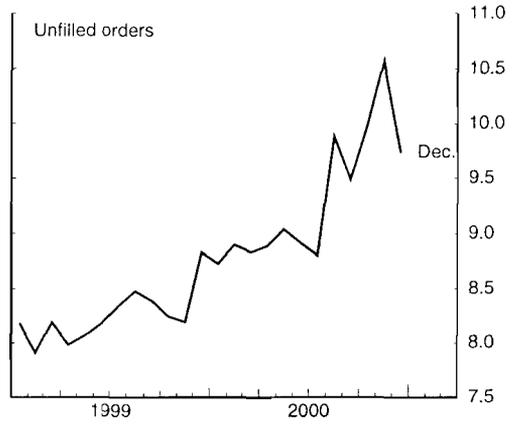
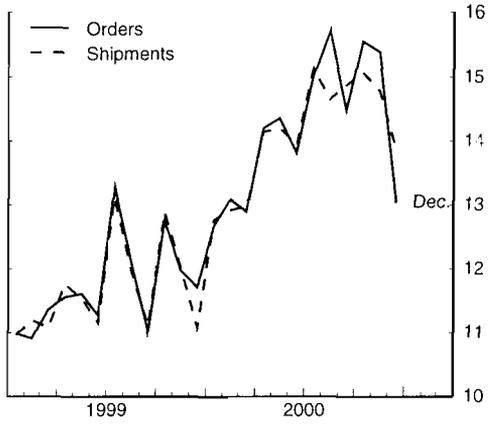
BUSINESS CAPITAL SPENDING INDICATORS  
 (Percent change from preceding comparable period;  
 based on seasonally adjusted data, in current dollars)

	2000		2000		
	Q3	Q4	Oct.	Nov.	Dec.
<u>Equipment and software</u>					
Shipments of nondefense capital goods	.8	-1.2	-2.3	.5	-1.2
Excluding aircraft and parts	1.8	-1.1	-.3	-1.6	-.3
Office and computing equipment	5.6	-2.1	1.3	-1.9	-6.2
Communications equipment	1.2	.7	-1.8	-3.1	4.5
All other categories	.1	-1.2	-.5	-.9	1.2
Shipments of complete aircraft	-5.9	n.a.	-10.6	-2.1	n.a.
Medium & heavy truck sales (units)	-11.4	-11.3	-5.8	-2.7	2.1
Orders for nondefense capital goods	1.3	-2.6	-13.4	4.6	11.6
Excluding aircraft and parts	.1	-4.8	-2.9	-2.3	-3.0
Office and computing equipment	6.8	-2.8	7.4	-1.1	-15.3
Communications equipment	-7.9	-1.1	-8.8	-4.2	.8
All other categories	.0	-7.0	-5.7	-2.3	2.6
<u>Nonresidential structures</u>					
Construction put in place, buildings	2.2	n.a.	.9	1.2	n.a.
Office	4.2	n.a.	-4.1	.6	n.a.
Other commercial	-1.1	n.a.	3.0	-4.4	n.a.
Institutional	4.2	n.a.	2.9	-2.1	n.a.
Industrial	5.1	n.a.	4.1	13.7	n.a.
Lodging and miscellaneous	-.8	n.a.	-.6	.5	n.a.
Rotary drilling rigs in use <sup>1</sup>	10.3	8.9	4.7	2.9	2.4

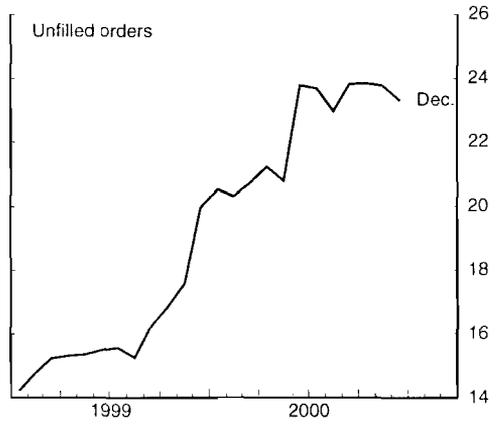
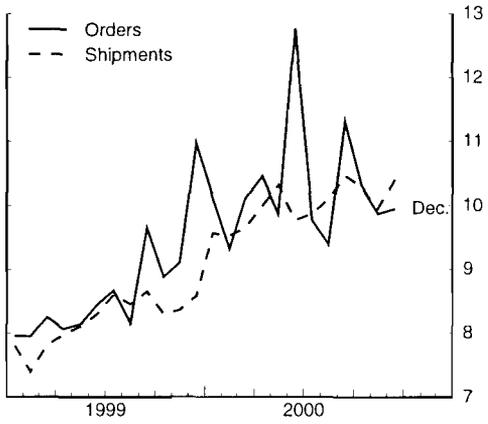
1. Percent change of number of rigs in use, seasonally adjusted.  
 n.a. Not available.

## Orders and Shipments for Nondefense Equipment (Billions of dollars; not at annual rate)

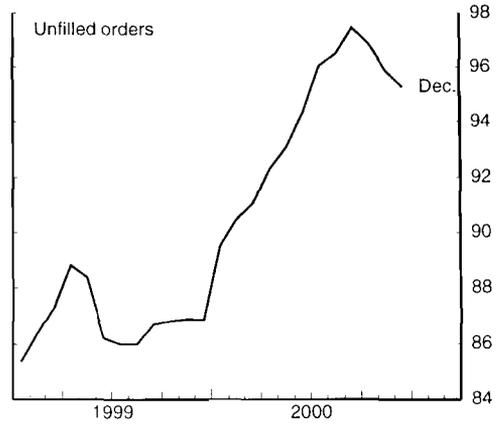
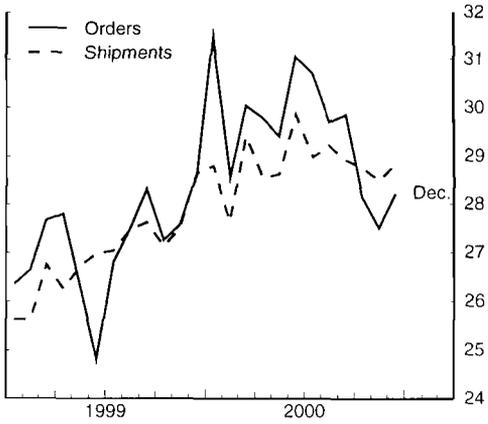
### Office and Computing Equipment



### Communications Equipment



### Non-High-Tech Equipment Excluding Aircraft



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

Instrument	2000		2001		Change to Jan. 25 from selected dates (percentage points)		
	June 26	Dec. 18	Jan. 2	Jan. 25	2000 June 26	2000 Dec. 18	2001 Jan. 2
<i>Short-term</i>							
FOMC intended federal funds rate	6.50	6.50	6.50	6.00	-.50	-.50	-.50
Treasury bills <sup>1</sup>							
3-month	5.66	5.78	5.69	5.14	-.52	-.64	-.55
6-month	5.94	5.69	5.36	4.93	-1.01	-.76	-.43
1-year	5.82	5.31	4.92	4.66	-1.16	-.65	-.26
Commercial paper							
1-month	6.56	6.56	6.45	5.57	-.99	-.99	-.88
3-month	6.56	6.32	6.15	5.36	-1.20	-.96	-.79
Large negotiable CDs <sup>1</sup>							
1-month	6.64	6.60	6.49	5.67	-.97	-.93	-.82
3-month	6.73	6.45	6.27	5.53	-1.20	-.92	-.74
6-month	6.89	6.29	6.07	5.37	-1.52	-.92	-.70
Eurodollar deposits <sup>2</sup>							
1-month	6.63	6.56	6.46	5.66	-.97	-.90	-.80
3-month	6.69	6.44	6.27	5.52	-1.17	-.92	-.75
Bank prime rate	9.50	9.50	9.50	9.00	-.50	-.50	-.50
<i>Intermediate- and long-term</i>							
U.S. Treasury (constant maturity)							
2-year	6.50	5.33	4.87	4.78	-1.72	-.55	-.09
10-year	6.11	5.17	4.92	5.29	-.82	.12	.37
30-year	5.99	5.44	5.35	5.61	-.38	.17	.26
U.S. Treasury 10-year indexed note	4.08	3.75	3.61	3.54	-.54	-.21	-.07
Municipal revenue (Bond Buyer) <sup>3</sup>	5.99	5.59	5.48	5.47	-.52	-.12	-.01
Private instruments							
10-year swap	7.38	6.06	5.95	6.22	-1.16	.16	.27
10-year FNMA	7.15	5.96	5.74	6.00	-1.15	.04	.26
Merrill Lynch BBB	8.49	8.04	7.81	7.71	-.78	-.33	-.10
High yield <sup>4</sup>	11.97	13.04	13.00	11.88	-.09	-1.16	-1.12
Home mortgages (FHLMC survey rate) <sup>5</sup>							
30-year fixed	8.14	7.42	7.13	7.02	-1.12	-.40	-.11
1-year adjustable	7.22	7.05	6.93	6.64	-.58	-.41	-.29

Stock exchange index	Record high		2000	2001		Change to Jan. 25 from selected dates (percent)		
	Level	Date	Dec. 18	Jan. 2	Jan. 25	Record high	2000 Dec. 18	2001 Jan. 2
Dow-Jones Industrial	11,723	1-14-00	10,645	10,646	10,730	-8.47	.79	.78
S&P 500 Composite	1,527	3-24-00	1,323	1,283	1,358	-11.13	2.63	5.79
Nasdaq (OTC)	5,049	3-10-00	2,625	2,292	2,754	-45.44	4.94	20.18
Russell 2000	606	3-9-00	463	462	499	-17.67	7.72	7.89
Wilshire 5000	14,752	3-24-00	12,178	11,764	12,539	-15.00	2.96	6.59

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.

**NOTES:**

June 26, 2000, is the day before the final FOMC meeting during the most recent period of policy tightening.  
December 18, 2000, is the day before the most recent FOMC meeting.  
January 2, 2001, is the day before the most recent FOMC action.