

## **Prefatory Note**

The attached document represents the most complete and accurate version available based on original copies culled from the files of the FOMC Secretariat at the Board of Governors of the Federal Reserve System. This electronic document was created through a comprehensive digitization process which included identifying the best-preserved paper copies, scanning those copies,<sup>1</sup> and then making the scanned versions text-searchable.<sup>2</sup> Though a stringent quality assurance process was employed, some imperfections may remain.

Please note that this document may contain occasional gaps in the text. These gaps are the result of a redaction process that removed information obtained on a confidential basis. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

---

<sup>1</sup> In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).

<sup>2</sup> A two-step process was used. An advanced optimal character recognition computer program (OCR) first created electronic text from the document image. Where the OCR results were inconclusive, staff checked and corrected the text as necessary. Please note that the numbers and text in charts and tables were not reliably recognized by the OCR process and were not checked or corrected by staff.

March 15, 2002

# CURRENT ECONOMIC AND FINANCIAL CONDITIONS

---

## **Supplemental Notes**

## Contents

<b>Domestic Nonfinancial Economy</b> .....	<b>1</b>
Industrial Production .....	1
Business Inventories .....	3
Consumer Sentiment .....	6
Producer Prices .....	6

### *Tables*

Selected Components of Industrial Production .....	2
Capacity Utilization .....	2
Changes in Manufacturing and Trade Inventories .....	4
Selected Inventory-Sales Ratios in Manufacturing and Trade .....	4
University of Michigan Survey Research Center: Survey of Consumer Attitudes .....	7
Recent Changes in Producer Prices .....	9
Recent Changes in Producer Prices— Relative Contribution .....	9

### *Chart*

Inventory-Sales Ratios .....	5
------------------------------	---

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

**10**

### *Table*

Selected Financial Market Quotations .....	11
Commercial Bank Credit .....	12

## **The International Economy** .....

**13**

Prices of Internationally Traded Goods .....	13
Oil .....	13
Non-oil Imports .....	13
Exports .....	13
U.S. Current Account Through 2001:Q4 .....	13
U.S. International Financial Transactions .....	15

### *Tables*

Prices of U.S. Imports and Exports .....	14
--	----

---

U.S. Current Account .....	15
Summary of U.S. International Transactions .....	17
<i>Chart</i>	
Oil Prices .....	14

## Supplemental Notes

---

### The Domestic Nonfinancial Economy

#### Industrial Production

Industrial production rose 0.4 percent in February after having increased a revised 0.2 percent in January.<sup>1</sup> Before that, industrial production had fallen in fifteen of the eighteen months since its recent peak in June 2000; the cumulative decline between June 2000 and December 2001 was about 7 percent. Output in manufacturing rose 0.3 percent in both January and February; manufacturing output in January was originally estimated as having been unchanged. The factory operating rate in February, at 73.2 percent, was 0.3 percentage point higher than at the end of last year.

The recent improvement in manufacturing output reflected a step-up in production in several major industries, including steel, high-technology, paper, chemicals, and tobacco products. Among high-technology industries, the turnaround in the output of computers and semiconductors, which began last autumn, continued into early this year. In addition, the production of communications equipment, which had fallen precipitously for more than a year, held steady in February. The output of motor vehicles and parts, which surged toward the end of 2001, has been little changed, on net, since December. Production in a few industries, such as aircraft and printing and publishing, posted further sizable declines last month.<sup>2</sup> Elsewhere in manufacturing, results have been more mixed since the beginning of the year.

Outside of manufacturing, mining production fell further in February as activity in the oil and gas extraction industry contracted again. Output at utilities jumped 2.7 percent; while still on the mild side, temperatures were closer to historic norms in February than during the previous few months.

Looking at the market groups excluding the high-technology, motor vehicle, aircraft, and energy industries, consumer goods production has been little changed over the past few months. The output of consumer durable goods has been volatile recently, largely reflecting swings in appliances and televisions; smoothing through the bumps, output in this group, which had fallen sharply since the fourth quarter of 2000, has stabilized in recent months. The output of nondurable consumer goods was little changed for a fourth successive month. Losses in consumer paper products, mainly periodicals, books, and cards, have been offset by gains elsewhere.

---

1. Production in the fourth quarter was also revised up, in large part due to stronger output of semiconductors.

2. Scheduled completions by producers of civilian aircraft suggest that the steep declines in production in that industry will persist in the near term.

**Selected Components of Industrial Production**  
(Percent change from preceding comparable period)

Component	Proportion 2001	2001 <sup>1</sup>	2001 <sup>2</sup>		2001 <sup>3</sup>	2002 <sup>3</sup>	
			Q3	Q4	Dec.	Jan.	Feb.
<b>Total</b>	<b>100.0</b>	<b>-5.8</b>	<b>-4.7</b>	<b>-6.6</b>	<b>-.3</b>	<b>.2</b>	<b>.4</b>
Manufacturing	85.8	-6.1	-4.9	-6.3	-.3	.3	.3
Ex. motor veh. and parts	79.5	-6.6	-5.8	-6.0	-.6	.3	.2
Ex. high-tech industries	72.3	-5.5	-4.0	-6.7	-.7	.2	.2
Mining	7.1	-2.5	-4.1	-12.0	-1.8	-.3	-.7
Utilities	7.1	-5.6	-3.0	-5.0	.9	-.3	2.7
<i>Selected industries</i>							
High technology	7.3	-15.7	-21.8	1.2	.3	1.7	1.2
Computers	1.7	-8.2	-14.7	3.6	1.9	1.1	1.5
Communication equipment	1.6	-24.5	-28.1	-26.2	-3.6	-1.3	.1
Semiconductors <sup>4</sup>	3.9	-14.9	-22.2	14.4	1.1	3.1	1.5
Motor vehicles and parts	6.3	-.4	6.6	-10.1	3.7	-.1	.5
Aircraft and parts	2.6	-11.8	-14.8	-27.0	-4.7	-2.8	-2.6
<i>Market groups excluding energy and selected industries</i>							
Consumer goods	23.3	-1.7	-1.7	-3.1	.3	-.2	.1
Durables	3.4	-8.1	-5.8	-11.0	1.3	-1.4	1.1
Nondurables	19.9	-.5	-1.0	-1.7	.1	.0	-.1
Business equipment	7.7	-10.7	-15.0	-8.1	-2.4	1.3	-.5
Defense and space equipment	2.0	.2	-.7	3.9	.4	.5	.3
Construction supplies	6.4	-3.9	-1.5	-9.5	.9	.0	.9
Business supplies	6.9	-8.5	-4.6	-5.2	-1.2	-.3	.1
Materials	23.6	-6.9	-2.0	-9.2	-1.3	.6	.5
Durables	16.0	-7.3	-3.6	-12.4	-1.1	.4	.4
Nondurables	7.6	-6.0	1.4	-2.3	-1.6	1.2	.6

1. Fourth-quarter to fourth-quarter change.

2. Annual rate.

3. Monthly rate.

4. Includes related electronic components.

**Capacity Utilization**  
(Percent of capacity)

Sector	1967- 2001 average	1982 low	1990- 91 low	2001			2002	
				Q2	Q3	Q4	Jan.	Feb.
<b>Total industry</b>	<b>81.9</b>	<b>71.1</b>	<b>78.1</b>	<b>77.4</b>	<b>76.2</b>	<b>74.7</b>	<b>74.5</b>	<b>74.8</b>
Manufacturing	80.9	69.0	76.6	75.6	74.5	73.1	73.0	73.2
High-tech industries	80.0	77.3	72.4	66.4	61.3	60.7	61.2	61.5
Excluding high-tech industries	81.0	68.0	76.8	76.7	76.1	74.7	74.6	74.7
Utilities	87.6	75.9	83.4	88.1	86.3	84.1	82.9	84.8

---

The output of business equipment has been choppy recently, but, on balance, has continued to slide; the farm, metalworking, and special industrial machinery industries have been particularly weak. The output of construction supplies has improved recently, with a cumulative gain of nearly 2 percent over the three months ending in February. The production of business supplies edged up in February even though the output of job printing fell further. The output of materials posted solid gains in both January and February, led by higher production in steel, paper, and chemicals. According to our industry contacts, the recent increases in steel output likely reflect a pull-ahead in demand from steel service centers in an attempt to build inventories in advance of tariff-related price hikes.

The diffusion index for the three-month change of production in total industrial output jumped to 58 percent in February. This is the first time since July 2000 that this measure has registered above 50 percent and indicates that more than half of the industries posted increases in production from three months earlier.

### **Business Inventories**

The book value of manufacturing and trade inventories (excluding motor vehicles) fell at a markedly slower rate (\$18 billion) in January than the steep pace of liquidation (\$96-1/4 billion) in the fourth quarter of last year. Sales in this broad category increased in January, and the inventory-sales ratio fell to 1.34 months, the lowest reading since June 2000.

Although manufacturers recorded another sizable drawdown of stocks in January, the rate of liquidation at wholesalers slowed, and inventories held by non-auto retailers increased at an annual rate of \$20.8 billion rate. The jump in retail stocks in January was surprising because it was accompanied by a sizable increase in non-auto retail sales. The combined effect pushed the inventory-sales ratio down further to 1.45 months, the lowest ratio since 1992 when comparable data are first available. Retail inventories increased in nearly every category, with the most notable accumulation recorded at motor vehicles and parts dealers (\$46.3 billion). Nevertheless, inventory-sales ratios remain at the low end of historical readings in every retail category.

At the wholesale level, the book value of inventories excluding motor vehicles edged down at an annual rate of \$4.9 billion in January, after having declined at a \$31.7 billion rate in the fourth quarter. Wholesalers of electrical goods and metals and minerals continued to run off stocks in January, but distributors of professional and commercial equipment built stocks for the first time since last April. Stocks held by distributors of nondurable goods were little changed in January. Sales at non-auto wholesalers increased 1.2 percent in January, and the inventory-sales ratio for the sector dropped to 1.26 months, the lowest

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

Category	2001			2001		2002
	Q2	Q3	Q4	Nov.	Dec.	Jan.
Manufacturing and trade	-43.3	-61.5	-151.2	-165.0	-61.7	25.0
Less wholesale and retail motor vehicles	-40.4	-66.2	-96.3	-129.7	-67.1	-18.0
Manufacturing	-34.4	-45.3	-53.5	-71.7	-49.2	-33.9
Merchant wholesalers	.2	-18.8	-35.1	-44.4	-18.6	-8.3
Less motor vehicles	3.3	-19.1	-31.7	-34.2	-14.8	-4.9
Retail trade	-9.0	2.6	-62.5	-48.9	6.1	67.2
Automotive dealers	.3	4.4	-51.5	-25.1	9.2	46.3
Less automotive dealers	-9.3	-1.8	-11.0	-23.8	-3.0	20.8

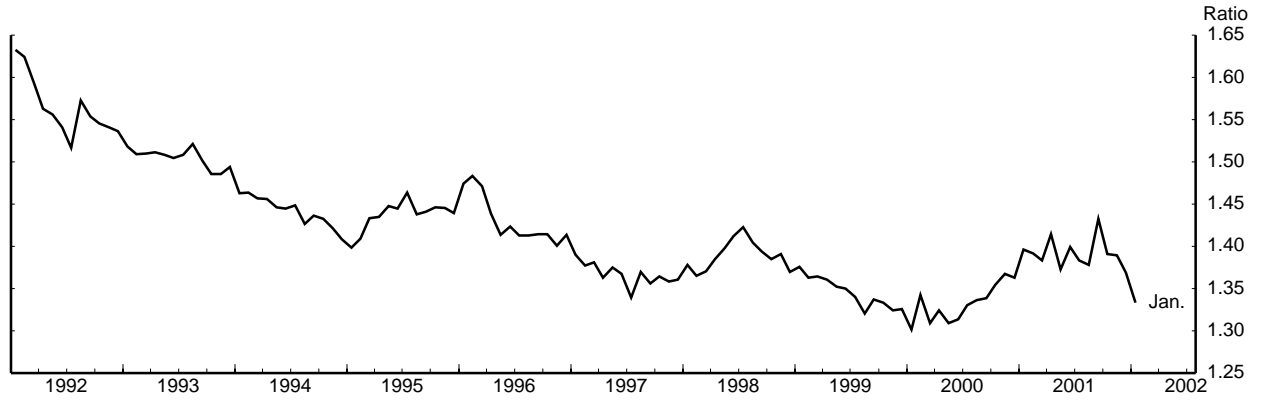
SELECTED INVENTORY-SALES RATIOS IN MANUFACTURING AND TRADE  
(Months' supply, based on seasonally adjusted Census book value)

Category	2001			2001		2002
	Q2	Q3	Q4	Nov.	Dec.	Jan.
Manufacturing and trade	1.42	1.42	1.38	1.39	1.39	1.38
Less wholesale and retail motor vehicles	1.38	1.38	1.37	1.38	1.37	1.34
Manufacturing	1.38	1.38	1.37	1.39	1.37	1.33
Primary metals	1.76	1.73	1.76	1.79	1.81	1.69
Steel	2.20	2.19	2.17	2.23	2.19	2.10
Machinery	2.06	2.09	2.12	2.16	2.18	2.04
Computers and electronics	1.52	1.56	1.47	1.53	1.45	1.41
Electrical equipment	1.39	1.46	1.48	1.53	1.48	1.50
Transportation equipment	1.42	1.42	1.39	1.38	1.36	1.32
Motor vehicles	.59	.58	.55	.55	.54	.51
Aircraft	3.84	3.77	3.80	3.62	3.78	3.92
Fabricated metals	1.69	1.67	1.62	1.65	1.63	1.60
Textiles	1.68	1.60	1.56	1.56	1.57	1.58
Paper	1.18	1.20	1.23	1.25	1.26	1.21
Chemicals	1.43	1.46	1.45	1.45	1.47	1.46
Petroleum	.68	.70	.72	.75	.72	.69
Rubber and plastics	1.22	1.18	1.16	1.19	1.16	1.13
Merchant wholesalers	1.32	1.30	1.29	1.30	1.30	1.28
Less motor vehicles	1.31	1.29	1.28	1.28	1.28	1.26
Durable goods	1.61	1.59	1.56	1.57	1.56	1.54
Nondurable goods	1.03	1.02	1.02	1.02	1.03	1.02
Retail trade	1.56	1.57	1.47	1.48	1.49	1.51
Less automotive dealers	1.47	1.48	1.46	1.47	1.46	1.45
Automotive dealers	1.80	1.83	1.48	1.52	1.55	1.68
General merchandise	1.92	1.91	1.86	1.89	1.84	1.81
Apparel	2.41	2.44	2.30	2.36	2.26	2.28
Food	.86	.85	.84	.85	.84	.83
Memo: Manufacturing and trade shipments and sales (billions of dollars)	834.5	824.1	821.8	817.3	817.6	826.4



## Inventory-Sales Ratios (Seasonally adjusted book value)

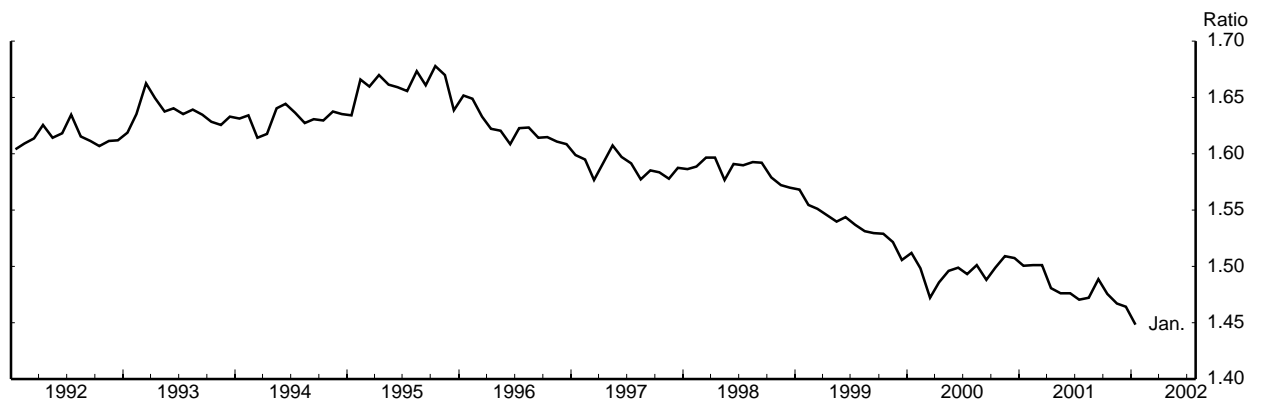
### Manufacturing



### Wholesale Trade Excluding Motor Vehicles



### Retail Trade Excluding Motor Vehicles



---

ratio since June 2000. Nevertheless, stocks remain high relative to shipments at wholesalers of machinery and metals and minerals.

The book value of manufacturers' inventories decreased at an annual rate of \$33.9 billion in January. Stocks held by manufacturers of durable goods declined in every major industry grouping except lumber and wood products, which accumulated inventories in January for the first time in six months. The largest drawdowns occurred at producers of transportation equipment, primary metals, and machinery. Notably, the pace of liquidation at makers of computers and electronic products abated considerably. With the increase in factory shipments in January, the overall inventory-sales ratio dropped to 1.33 months in January—its lowest level since July 2000. Nevertheless, stocks remain high relative to shipments at manufacturers of electrical equipment, chemicals, and leather and allied products.

### **Consumer Sentiment**

According to the preliminary report, the Michigan Survey Research Center's index of consumer sentiment jumped more than 4 points in early March. The index stands at its highest level since December 2000 when the decline in consumer confidence began. The current-conditions component of the overall index increased about 3 points in early March, continuing its rise from February and fully reversing the drop in January. The expected-conditions component shot up 5 points this month and is 10 points above its December 2001 level.

Among those items not included in the overall index, expectations about the change in unemployment over the next twelve months improved considerably and have now plunged about 40 points since October 2001. Meanwhile, appraisals of buying conditions for cars fell slightly in early March, likely reflecting a further cutback in financing rates on new car loans. Appraisals of home buying conditions also ticked down early this month.

In early March, the mean and median of expected inflation over the next twelve months climbed noticeably to 3.1 and 2.6 percent, respectively. These measures have now retraced almost all of their sharp declines in October and November, but remain well below the levels reached in mid-2001. The mean of expected inflation over the next 5 to 10 years inched up 0.1 percentage point to 3.2 percent, while the median was unchanged at 2.8 percent.

### **Producer Prices**

The producer price index for finished goods rose 0.2 percent in February, boosted by increases in food and energy prices. Over the twelve months ending in February, the PPI has declined 2.6 percent; this compares with a year-earlier twelve-month gain of 4 percent. Excluding food and energy, finished goods

UNIVERSITY OF MICHIGAN SURVEY RESEARCH CENTER: SURVEY OF CONSUMER ATTITUDES  
(Not seasonally adjusted)

	2001 July	2001 Aug.	2001 Sept.	2001 Oct.	2001 Nov.	2001 Dec.	2002 Jan.	2002 Feb.	2002 Mar (p)
Indexes of consumer sentiment (Feb. 1966=100)									
Composite of current and expected conditions	92.4	91.5	81.8	82.7	83.9	88.8	93.0	90.7	95.0
Current conditions	98.6	101.2	94.6	94.0	95.3	99.0	95.7	96.2	99.3
Expected conditions	88.4	85.2	73.5	75.5	76.6	82.3	91.3	87.2	92.3
-----									
Personal financial situation									
Now compared with 12 months ago*	114	118	108	107	107	108	105	106	111
Expected in 12 months*	133	127	128	128	134	138	141	137	133
Expected business conditions									
Next 12 months*	115	102	71	77	76	86	111	106	119
Next 5 years*	107	113	95	98	97	106	115	107	120
Appraisal of buying conditions									
Cars	138	132	133	152	164	163	156	156	150
Large household appliances*	141	144	136	136	140	148	143	143	146
Houses	149	154	149	159	161	167	161	164	163
Willingness to use credit									
Willingness to use credit	41	47	39	52	54	44	39	45	42
Willingness to use savings									
Willingness to use savings	60	55	47	62	56	55	55	63	57
Expected unemployment change - next 12 months									
Expected unemployment change - next 12 months	140	142	151	150	143	135	123	124	110
Prob. household will lose a job - next 5 years									
Prob. household will lose a job - next 5 years	24	23	24	21	24	23	23	24	24
Expected inflation - next 12 months									
Mean	3.0	3.1	3.2	1.6	1.0	1.9	2.2	2.4	3.1
Median	2.6	2.7	2.8	1.0	.4	1.8	1.9	2.1	2.6
Expected inflation - next 5 to 10 years									
Mean	3.4	3.6	3.4	2.8	3.2	3.4	3.0	3.1	3.2
Median	2.9	3.0	2.9	2.7	2.8	3.0	2.7	2.8	2.8

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

(p) -- Preliminary

(f) -- Final

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.

---

prices were unchanged last month; this left the twelve-month change in the core PPI at 0.5 percent, compared with a year-earlier increase of 1.3 percent.

The PPI for energy rose 0.4 percent in February, following a tiny increase in January and a string of sharp declines in earlier months. Gasoline prices jumped 4-1/2 percent last month, following a 3.4 percent increase in January. Fuel oil prices also rose last month; by contrast, prices for natural gas and electricity declined. Overall, producer energy prices have tumbled more than 20 percent over the past year.

Producer food prices rose 1 percent, with prices of vegetables, fish, and beef and veal posting especially large increases. However, the twelve-month change in the PPI for food stood at 1.9 percent in February, down a percentage point from a year earlier.

The PPI for core consumer goods edged down 0.1 percent in February. Apparel and tobacco prices were flat, and a 0.2 percent decline in passenger car prices partly offset a 0.6 percent increase in light truck prices. The PPI for core consumer goods rose 0.7 percent over the twelve months ending in February, and has decelerated nearly a percentage point over this period.

Producer prices of capital goods ticked up 0.1 percent last month. Within capital equipment, prices for communication equipment moved up 0.5 percent, but this index was still 0.7 percent below a year earlier. Computer prices dropped 4.1 percent in February, and were down 28-1/2 percent over the previous twelve months.

At earlier stages of processing, the PPI for core intermediate materials was flat last month. Core intermediate prices have decelerated about 3 percentage points over the past year, and the twelve-month decline in this index was 1.8 percent in February. Core crude materials rose 1-1/2 percent in February, but were down nearly 7 percent relative to a year earlier.

RECENT CHANGES IN PRODUCER PRICES  
(Percent change; based on seasonally adjusted data)<sup>1</sup>

	Relative importance, Dec. 2001	2000	2001	2001			2002	
				Q2	Q3	Q4	Jan.	Feb.
				-----Annual rate-----			-Monthly rate-	
Finished goods	100.0	3.6	-1.8	.0	-1.7	-9.6	.1	.2
Consumer foods	21.0	1.7	1.8	.6	1.7	-4.2	.8	1.0
Consumer energy	13.8	16.6	-17.2	-6.9	-17.1	-43.4	.1	.4
Other finished goods	65.2	1.3	.7	1.9	1.1	-1.3	-.1	.0
Consumer goods	38.2	1.4	1.3	2.6	1.0	-.8	-.1	-.1
Capital equipment	27.1	1.2	-.1	.3	1.2	-2.0	-.1	.1
Intermediate materials <sup>2</sup>	96.0	4.2	-4.2	-1.5	-5.6	-10.1	-.1	-.1
Excluding food and energy	81.0	1.6	-1.6	-.9	-3.5	-3.5	.0	.0
Crude food materials	46.2	7.4	-7.4	-4.0	3.8	-34.7	4.0	2.3
Crude energy	31.1	85.6	-53.0	-52.0	-63.7	-51.3	5.6	-6.5
Other crude materials	22.6	-5.5	-9.9	-15.3	-2.4	-9.0	-.5	1.5

1. Changes are from final month of preceding period to final month of period indicated.
2. Excludes materials for food manufacturing and animal feeds.

RECENT CHANGES IN PRODUCER PRICES -- RELATIVE CONTRIBUTION<sup>1</sup>  
(Percent change; based on seasonally adjusted data)<sup>2</sup>

	Relative importance Dec. 2001	2000	2001	2001			2002	
				Q2	Q3	Q4	Jan.	Feb.
				-----Annual rate-----			-Monthly rate-	
Finished goods	100.0	3.6	-1.8	.0	-1.7	-9.6	.1	.2
Consumer foods	21.0	.3	.4	.1	.3	-.9	.2	.2
Consumer energy	13.8	2.4	-2.8	-1.2	-2.9	-8.0	.0	.0
Other finished goods	65.2	.8	.5	1.2	.7	-.8	.0	.0
Consumer goods	38.2	.5	.5	.9	.4	-.3	.0	-.0
Capital equipment	27.1	.3	.0	.1	.3	-.5	.0	.0

1. Data may not add due to rounding.
2. Changes are from final month of preceding period to final month of period indicated.

---

## **The Domestic Financial Economy**

Erratum. On page III-1 of the Greenbook, the second sentence of the last paragraph should read: “Spreads edged down, however, on net for most of the investment-grade market and actually fell to the lowest level since late 2000 for a broad index of speculative-grade firms.”

### Selected Financial Market Quotations

(One-day quotes in percent except as noted)

Instrument	2000	2001	2002	2002	Change to Mar. 14 from selected dates (percentage points)			
	June 26	Sept. 10	Jan. 29	Mar. 14	2000 June 26	2001 Sept. 10	2002 Jan. 29	
<i>Short-term</i>								
FOMC intended federal funds rate	6.50	3.50	1.75	1.75	-4.75	-1.75	.00	
Treasury bills <sup>1</sup>								
3-month	5.66	3.19	1.69	1.82	-3.84	-1.37	.13	
6-month	5.94	3.13	1.80	2.01	-3.93	-1.12	.21	
Commercial paper (A1/P1 rates)								
1-month	6.56	3.42	1.76	1.79	-4.77	-1.63	.03	
3-month	6.56	3.24	1.77	1.86	-4.70	-1.38	.09	
Large negotiable CDs <sup>1</sup>								
1-month	6.64	3.46	1.80	1.85	-4.79	-1.61	.05	
3-month	6.73	3.26	1.80	1.92	-4.81	-1.34	.12	
6-month	6.89	3.24	1.94	2.14	-4.75	-1.10	.20	
Eurodollar deposits <sup>2</sup>								
1-month	6.63	3.41	1.77	1.83	-4.80	-1.58	.06	
3-month	6.69	3.26	1.79	1.91	-4.78	-1.35	.12	
Bank prime rate	9.50	6.50	4.75	4.75	-4.75	-1.75	.00	
<i>Intermediate- and long-term</i>								
U.S. Treasury <sup>3</sup>								
2-year	6.54	3.59	3.03	3.59	-2.95	.00	.56	
10-year	6.35	5.14	5.28	5.72	-.63	.58	.44	
30-year	6.22	5.55	5.65	6.03	-.19	.48	.38	
U.S. Treasury 10-year indexed note	4.09	3.26	3.46	3.41	-.68	.15	-.05	
Municipal revenue (Bond Buyer) <sup>4</sup>	5.99	5.25	5.46	5.63	-.36	.38	.17	
Private instruments								
10-year swap	7.38	5.62	5.77	6.05	-1.33	.43	.28	
10-year FNMA	7.15	5.64	5.65	6.11	-1.04	.47	.46	
10-year AA <sup>5</sup>	7.64	6.30	6.22	6.59	-1.05	.29	.37	
10-year BBB <sup>5</sup>	8.40	7.11	7.20	7.72	-.68	.61	.52	
High yield <sup>6</sup>	12.30	12.72	12.65	12.14	-.16	-.58	-.51	
Home mortgages (FHLMC survey rate) <sup>7</sup>								
30-year fixed	8.14	6.89	6.96	6.87	-1.27	-.02	-.09	
1-year adjustable	7.22	5.64	5.10	5.07	-2.15	-.57	-.03	
<hr/>								
Stock exchange index	Record high		2001	2002		Change to Mar. 14 from selected dates (percent)		
	Level	Date	Sept. 10	Jan. 29	Mar. 14	Record high	2001 Sept. 10	2002 Jan. 29
Dow-Jones Industrial	11,723	1-14-00	9,606	9,618	10,517	-10.29	9.49	9.35
S&P 500 Composite	1,527	3-24-00	1,093	1,101	1,153	-24.51	5.54	4.76
Nasdaq (OTC)	5,049	3-10-00	1,695	1,893	1,854	-63.27	9.36	-2.05
Russell 2000	606	3-9-00	441	474	498	-17.88	12.94	5.02
Wilshire 5000	14,752	3-24-00	10,104	10,318	10,790	-26.86	6.78	4.57

1. Secondary market.

2. Bid rates for Eurodollar deposits collected around 9:30 a.m. Eastern time.

3. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.

4. Most recent Thursday quote.

5. Derived from smoothed corporate yield curves estimated using Merrill Lynch bond data.

6. Merrill Lynch Master II high-yield bond.

7. For week ending Friday previous to date shown.

#### NOTES:

June 26, 2000 is the day before the FOMC meeting that ended the most recent period of policy tightening.

September 10, 2001 is the day before the terrorist attacks.

January 29, 2002 is the day before the most recent FOMC meeting.

### Commercial Bank Credit

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

Type of credit	2001	Q3 2001	Q4 2001	Dec. 2001	Jan. 2002	Feb. 2002	Level, Feb. 2002 (\$ billions)
<b>Total</b>							
<b>1. Adjusted<sup>1</sup></b>	<b>3.8</b>	<b>2.8</b>	<b>2.3</b>	<b>2.4</b>	<b>-2.7</b>	<b>3.3</b>	<b>5,267</b>
2. Reported	4.5	3.0	3.1	-4.8	-2.3	2.9	5,408
<i>Securities</i>							
3. Adjusted <sup>1</sup>	9.0	13.1	13.5	23.6	-2.3	.7	1,328
4. Reported	11.4	13.0	15.3	-5.2	-1.1	-.6	1,470
5. Treasury & Agency	2.3	3.6	21.6	23.9	-19.5	-2.8	808
6. Other <sup>2</sup>	24.8	24.6	7.9	-39.9	22.0	2.5	662
<i>Loans<sup>3</sup></i>							
7. Total	2.2	-.4	-1.3	-4.6	-2.8	4.2	3,939
8. Business	-4.5	-9.1	-11.9	-16.5	-10.4	10.8	1,023
9. Real estate	6.1	3.9	7.3	6.8	-1.0	5.4	1,770
10. Home equity	17.7	13.3	29.2	27.3	33.7	29.8	161
11. Other	5.1	3.1	5.4	4.9	-4.4	3.2	1,609
12. Consumer	3.9	-1.7	5.8	.9	6.0	1.3	564
13. Adjusted <sup>4</sup>	6.5	1.5	8.9	3.3	7.7	-2.3	904
14. Other <sup>5</sup>	1.7	4.5	-13.3	-23.0	-3.1	-8.6	582

Note. All data are adjusted for breaks caused by reclassifications. Monthly levels are pro rata averages of weekly (Wednesday) levels. Quarterly levels (not shown) are simple averages of monthly levels. Annual levels (not shown) are levels for the fourth quarter. Growth rates are percentage changes in consecutive levels, annualized but not compounded.

1. Adjusted to remove effects of mark-to-market accounting rules (FIN 39 and FIN 115).

2. 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, including revaluation gains on derivative contracts.

3. Excludes interbank loans.

4. Includes an estimate of outstanding loans securitized by commercial banks.

5. Includes security loans and loans to farmers, state and local governments, and all others not elsewhere classified. Also includes lease financing receivables.



---

## The International Economy

### Prices of Internationally Traded Goods

**Oil.** The BLS price of imported oil rose 3 percent in February, the second consecutive monthly increase after three months of steep declines. The spot price of West Texas intermediate (WTI) crude oil, which also rose in both January and February, moved sharply higher in the first half of March. The current spot price of WTI is more than \$24 per barrel, a level not seen since September. Factors generating the price increase include stronger signs of world economic recovery, production restraint by OPEC, and heightened tensions in the Middle East.

**Non-oil imports.** The price of imported non-oil (and core) goods fell ½ percent in February after a small uptick in January, resuming the pattern of decline that began about a year ago. The February decrease occurred mainly in prices of food and non-oil industrial supplies. Prices of both consumer goods and capital goods (excluding computers) fell slightly, whereas the price of automotive products edged up. The price index for core goods on average in January and February was down 1.7 percent at an annual rate from the fourth-quarter average level, somewhat less than the 3½ percent annual rate decline that occurred in the fourth quarter.

**Exports.** Prices of U.S. goods exports (both total and core) fell slightly in February, continuing the general pattern of price declines that has prevailed over the past year. As with import prices, the sharpest fall was in prices of agricultural commodities. Prices in other major categories were little changed in February. The average level of the price index of core goods in January and February was down about 1½ percent at an annual rate from the fourth-quarter average level following an annual rate decline of about 3½ percent in the fourth quarter.

### U.S. Current Account through 2001:Q4

In 2001:Q4, the U.S. current account deficit edged up to \$395 billion at a seasonally adjusted annual rate (s.a.a.r.). The \$1.2 billion increase in the deficit was more than accounted for by the one-time recording in the third quarter of estimated foreign insurance payments related to the events of September 11, which reduced reported service imports by \$11 billion (\$44 billion a.r.) in that quarter. Ignoring the estimated insurance payments, the current account deficit would have narrowed \$42.8 billion in the fourth quarter.

For the fourth quarter, the deficit on goods narrowed \$19.2 billion s.a.a.r. as the foreign economic slowdown decreased exports less than the U.S. recession reduced imports. Net services receipts decreased \$38.4 billion, though

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

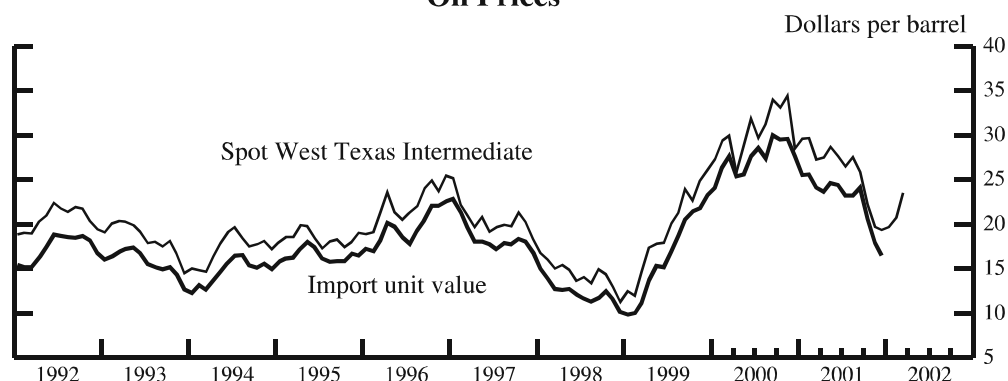
	Annual rates			Monthly rates		
	2001		2002	2001	2002	
	Q3	Q4	Q1 <sup>e</sup>	Dec.	Jan.	Feb.
	----- BLS prices (2000 weights)-----					
<b>Merchandise imports</b>	-7.2	-13.9	-3.1	-1.0	0.4	-0.1
Oil	-12.2	-65.6	-10.0	-6.1	5.3	2.9
Non-oil	-6.6	-4.0	-2.0	-0.4	0.1	-0.5
Core goods*	-6.3	-3.7	-1.7	-0.3	0.1	-0.5
Cap. goods ex comp & semi	-1.1	-0.4	-3.1	-0.3	-0.3	-0.4
Automotive products	-0.5	1.3	-0.5	0.1	-0.2	0.1
Consumer goods	-1.1	-1.5	-0.4	-0.1	0.1	-0.2
Foods, feeds, beverages	-6.9	0.6	0.4	-0.6	1.4	-2.2
Industrial supplies ex oil	-20.9	-15.6	-5.0	-1.3	0.6	-1.3
Computers	-13.4	-12.5	-2.6	-0.2	-0.2	-0.5
Semiconductors	-1.2	-2.1	-3.0	-1.2	0.0	0.2
<b>Merchandise exports</b>	-2.8	-4.1	-2.0	-0.2	-0.1	-0.2
Core goods*	-2.1	-3.4	-1.5	-0.3	0.1	-0.3
Cap. goods ex comp & semi	-0.8	-1.2	0.7	-0.1	0.2	0.0
Automotive products	0.0	0.0	1.3	0.1	0.3	0.0
Consumer goods	0.5	0.9	-1.6	0.1	-0.5	0.0
Agricultural products	6.2	-8.8	-1.9	1.0	0.6	-2.5
Industrial supplies ex ag	-10.7	-10.6	-4.5	-1.1	0.1	-0.2
Computers	-8.0	-5.6	-5.6	-1.9	-0.3	0.8
Semiconductors	-7.0	-15.2	-8.6	0.3	-2.4	0.0
	---Prices in the NIPA accounts (1996 weights)---					
<b>Chain price index</b>						
Imports of goods & services	-17.1	2.5	n.a.	...	...	...
Non-oil merchandise	-6.7	-4.1	n.a.	...	...	...
Core goods*	-6.2	-3.4	n.a.	...	...	...
Exports of goods & services	-1.7	-3.1	n.a.	...	...	...
Total merchandise	-2.2	-3.5	n.a.	...	...	...
Core goods*	-1.5	-3.4	n.a.	...	...	...

\* / Excludes computers and semiconductors.

<sup>e</sup> / Average of two months.

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

**Oil Prices**



disregarding the estimated insurance payment, the balance on services would have increased by \$5.6 billion. The balance on income, which was negative throughout 2001, also narrowed \$22.9 billion, as income receipts decreased less than income payments. Other income and transfers increased \$5 billion, contributing to the widening of the current account deficit.

<b>U.S. Current Account</b>				
(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>				
2000	-375.7	-9.6	-59.3	-444.7
2001	-347.8	-13.8	-55.9	-417.4
<i>Quarterly</i>				
2001:Q1	-381.2	-14.6	-52.7	-448.5
Q2	-363.3	-14.5	-53.8	-431.7
Q3	-313.8	-24.4	-55.9	-394.1
Q4	-332.9	-1.5	-61.0	-395.3
<i>Change</i>				
Q1-Q4	19.9	-22.4	19.3	16.8
Q2-Q1	17.9	0.0	-1.1	16.8
Q3-Q1	49.5	-9.8	-2.1	37.6
Q4-Q3	-19.1	22.9	-5.0	-1.2

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

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

On Thursday BEA released preliminary fourth quarter and revised third quarter data for direct investment and other capital flows (lines 6 through 9 of the Summary of U.S. International Transactions table). Capital inflows for foreign direct investment in the United States in the fourth quarter continued the dramatic fall begun in the third quarter (line 7); these low inflows were associated with very low merger activity and weak corporate profits. Direct investment capital outflows were down somewhat in the fourth quarter from the strong first three quarters (line 6). For the year, direct investment outflows and inflows were virtually identical. Foreign accumulations of U.S. currency continued strong in the fourth quarter, owing primarily to strong demands from Argentina and Russia (line 8).

The statistical discrepancy (the last line in the table) continued to show large quarterly variations, reflecting the sizable swings in measured components such

---

as those for banking (line 3). For the year, the statistical discrepancy totaled negative \$39 billion, indicating some combination of underreporting of the current account deficit or overreporting of net capital inflows.

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

	2000	2001	2001				2002	
			Q1	Q2	Q3	Q4	Dec.	Jan.
<b>Official financial flows</b>	<b>39.3</b>	<b>2.0</b>	<b>4.8</b>	<b>-21.3</b>	<b>13.2</b>	<b>5.4</b>	<b>-10.5</b>	<b>5.6</b>
1. Change in foreign official assets in the U.S. (increase, +)	39.6	6.9	4.6	-20.0	16.8	5.6	-9.7	5.6
a. G-10 countries	12.3	-7.9	-5.5	-6.1	-5.6	9.2	-4.8	2.9
b. OPEC countries	10.7	-1.9	.8	-2.1	-4.7	4.1	.5	-2.6
c. All other countries	16.6	16.8	9.2	-11.8	27.0	-7.7	-5.4	5.3
2. Change in U.S. official reserve assets (decrease, +)	-.3	-4.9	.2	-1.3	-3.6	-.2	-.7	.0
<b>Private financial flows</b>	<b>404.0</b>	<b>453.9</b>	<b>98.9</b>	<b>175.9</b>	<b>27.1</b>	<b>151.9</b>	...	...
<b>Banks</b>								
3. Change in net foreign positions of banking offices in the U.S. <sup>1</sup>	-6.7	13.9	-79.4	29.1	-12.2	76.4	-5.2	-22.8
<b>Securities<sup>2</sup></b>								
4. Foreign net purchases of U.S. securities (+)	435.7	509.6	149.0	125.0	73.9	159.1	45.9	13.6
a. Treasury securities	-52.4	16.4	.7	-8.5	-9.3	33.4	10.2	-14.6
b. Agency bonds	111.9	144.2	38.8	29.4	33.1	42.9	6.7	1.6
c. Corporate and municipal bonds	182.1	224.9	68.9	69.6	37.2	49.2	13.1	15.3
d. Corporate stocks <sup>3</sup>	194.0	124.2	40.7	34.5	12.9	33.5	16.0	11.3
5. U.S. net acquisitions (-) of foreign securities	-101.1	-59.3	-21.0	-44.1	19.2	-17.5	-12.2	-1.8
a. Bonds	-4.1	30.3	-2.0	8.8	25.4	-1.9	-.9	-5.6
b. Stock purchases	-13.1	-50.5	-16.4	-18.7	-6.1	-9.2	-8.9	3.7
c. Stock swaps <sup>3</sup>	-84.0	-39.1	-2.6	-34.2	.0	-6.4	-2.3	.0
<b>Other flows (quarterly data, s.a.)</b>								
6. U.S. direct investment (-) abroad	-152.4	-156.0	-41.1	-41.3	-43.2	-30.4	...	...
7. Foreign direct investment in U.S.	287.7	157.9	52.8	65.6	22.6	17.0	...	...
8. Foreign holdings of U.S. currency	1.1	23.8	2.3	2.8	8.2	10.5	...	...
9. Other (inflow, +) <sup>4</sup>	-60.2	-36.1	36.3	38.8	-41.4	-63.0	...	...
<b>U.S. current account balance (s.a.)</b>	<b>-444.7</b>	<b>-417.4</b>	<b>-112.1</b>	<b>-107.9</b>	<b>-98.5</b>	<b>-98.8</b>	...	...
<b>Capital account balance (s.a.)<sup>5</sup></b>	<b>.7</b>	<b>.7</b>	<b>.2</b>	<b>.2</b>	<b>.2</b>	<b>.2</b>	...	...
<b>Statistical discrepancy (s.a.)</b>	<b>.7</b>	<b>-39.2</b>	<b>8.3</b>	<b>-46.8</b>	<b>58.1</b>	<b>-58.7</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. Includes (4d) or represents (5c) stocks acquired through mergers.

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.