

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 23, 2010

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Supplemental Notes

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

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Supplemental Notes

The Domestic Nonfinancial Economy

Sales of New and Existing Homes

Home sales strengthened noticeably in March. Sales of new single-family homes jumped 27 percent last month, and the stock of unsold new houses edged down to its lowest level since 1971. Consequently, the months' supply of new homes moved sharply lower, though it remained elevated. Meanwhile, sales of single-family existing homes rose more than 7 percent in March to an annual rate of 4.7 million units. Both of these sales figures were likely boosted, at least in part, by the anticipated expiry of the homebuyer tax credit, which is only available for home-sale agreements signed through April.

Orders and Shipments of Nondefense Capital Goods

Shipments of nondefense capital goods excluding aircraft rose again in March, posting a 2.2 percent increase on the heels of a 1.5 percent gain in February. New orders jumped 4 percent, following February's rise of 2.1 percent. These gains leave the level of new orders narrowly above that of shipments.

Shipments of high-tech equipment posted particularly robust gains, with shipments of computers and communications equipment rising at 3.7 and 6.2 percent, respectively. New orders for computers surged 12.9 percent, although this series has been quite volatile lately. Outside of the high-tech sector, shipments posted a solid increase of 1.7 percent. New orders rose more rapidly and now stand a little above shipments.

The three-month moving average of the staff's constructed series on real adjusted durable goods orders rose 0.7 percent in March. 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.

The Domestic Financial Economy

(Exhibits attached)

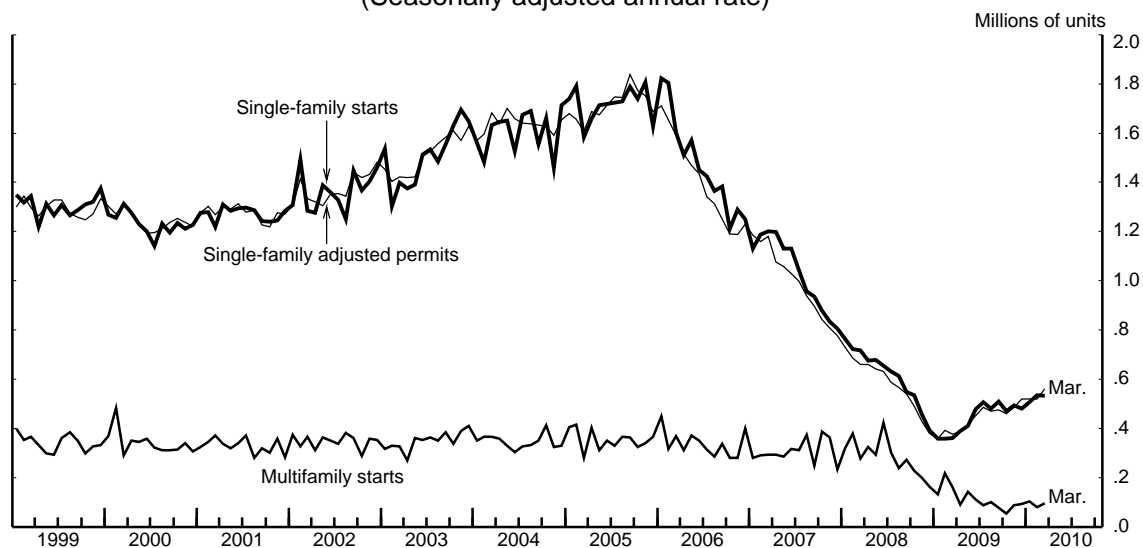
Private Housing Activity

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

Sector	2009	2009		2010			
		Q3	Q4	Q1	Jan.	Feb.	Mar.
<i>All units</i>							
Starts	.55	.59	.56	.62	.61	.62	.63
Permits	.57	.57	.60	.65	.62	.64	.69
<i>Single-family units</i>							
Starts	.45	.50	.48	.53	.51	.54	.53
Permits	.44	.46	.47	.52	.50	.51	.54
Adjusted permits ¹	.44	.48	.49	.53	.52	.52	.56
New homes							
Sales	.38	.41	.37	.36	.34	.32	.41
Months' supply ²	9.11	7.72	7.65	7.84	8.24	8.63	6.66
Existing homes							
Sales	4.57	4.65	5.23	4.49	4.43	4.36	4.68
Months' supply ²	8.34	8.06	6.90	8.27	8.22	8.47	8.11
<i>Multifamily units</i>							
Starts	.11	.09	.08	.09	.10	.08	.10
Built for rent	.09	.08	.06	n.a.	n.a.	n.a.	n.a.
Built for sale	.02	.01	.02	n.a.	n.a.	n.a.	n.a.
Permits	.14	.11	.12	.13	.12	.12	.14
<i>Condos and co-ops</i>							
Existing home sales	.59	.63	.73	.65	.62	.65	.67

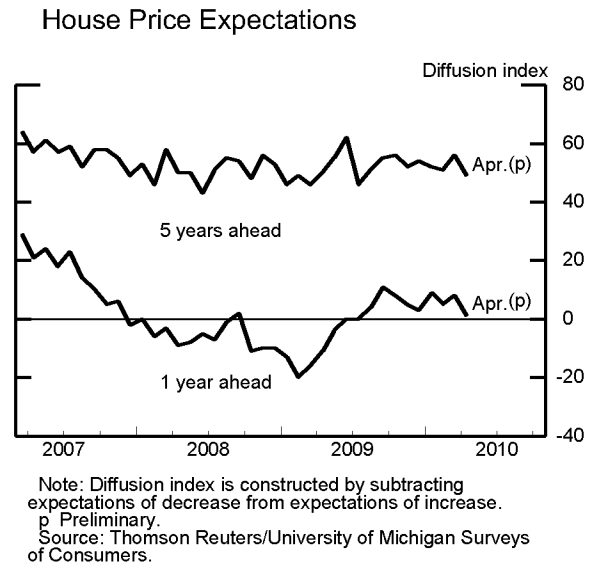
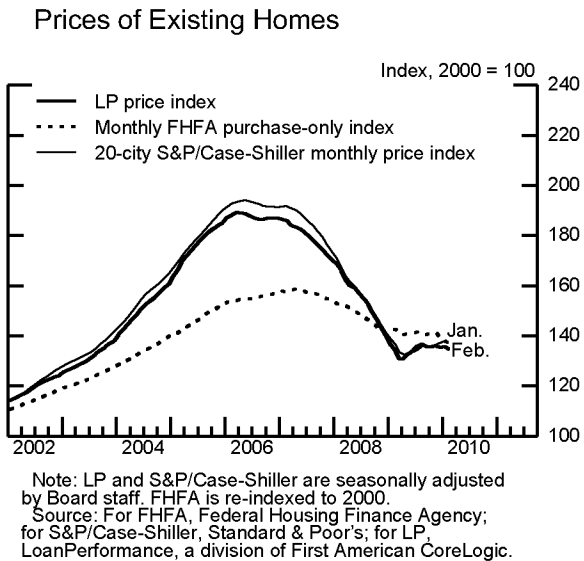
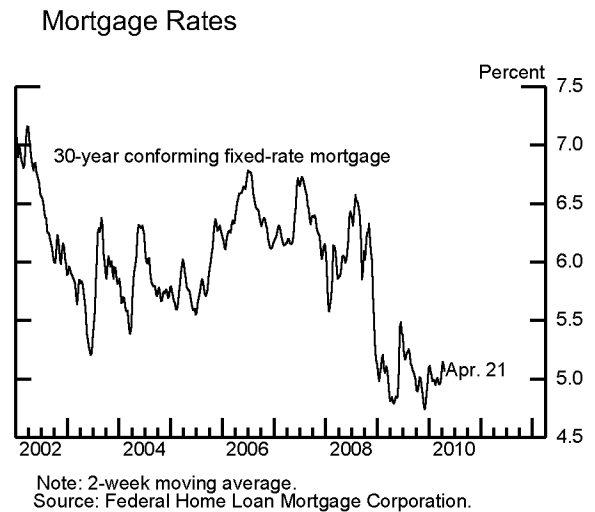
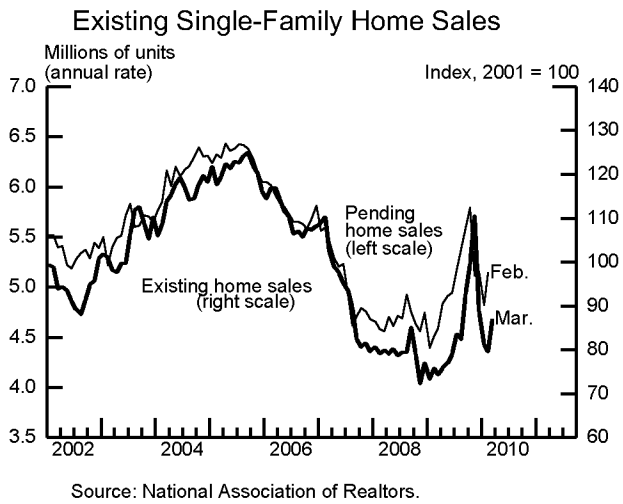
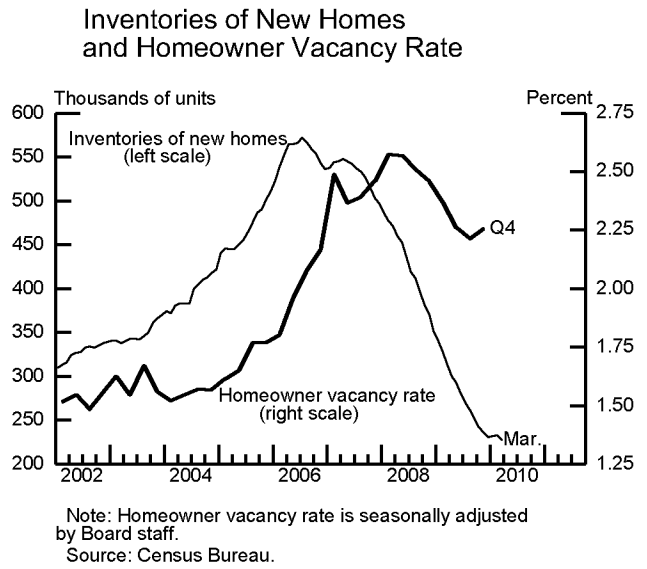
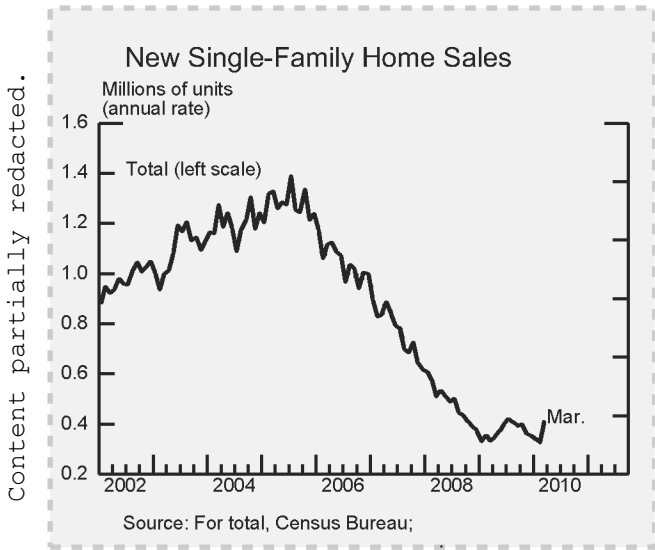
1. Adjusted permits equal permit issuance plus total starts outside of permit-issuing areas.
 2. At current sales rate; expressed as the ratio of seasonally adjusted inventories to seasonally adjusted sales. Quarterly and annual figures are averages of monthly figures.
- n.a. Not available.
Source: Census 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



Orders and Shipments of Nondefense Capital Goods

(Percent change; seasonally adjusted current dollars)

Category	2009	2010			
	Q4	Q1	Jan.	Feb.	Mar.
	Annual rate		Monthly rate		
Shipments	9.0	-7	-4.4	.8	2.4
Excluding aircraft	8.7	7.4	-1.9	1.5	2.2
Computers and peripherals	22.0	18.6	4.0	-4.6	3.7
Communications equipment	-5.0	-5	1.4	-1.1	6.2
All other categories ¹	8.8	7.1	-2.8	2.4	1.7
Orders	1.6	25.6	3.9	6.1	-7.5
Excluding aircraft	13.5	5.1	-4.4	2.1	4.0
Computers and peripherals	26.4	-5.0	-10.6	4.6	12.9
Communications equipment	-10.4	-29.3	-3.9	-13.0	3.8
All other categories ¹	14.9	10.3	-3.7	3.3	3.1
Memo: Shipments of complete aircraft ²	39.8	n.a.	31.7	31.5	n.a.

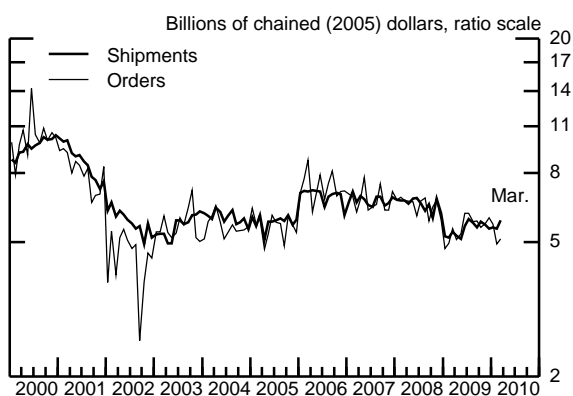
1. Excludes most terrestrial transportation equipment.

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

n.a. Not available.

Source: Census Bureau.

Communications Equipment



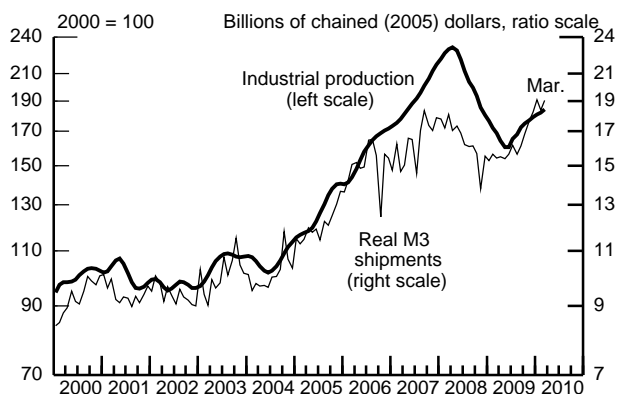
Note: Shipments and orders are deflated by a price index that is derived from the quality-adjusted price indexes of the Bureau of Economic Analysis and uses the producer price index for communications equipment for monthly interpolation.
Source: Census Bureau.

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.

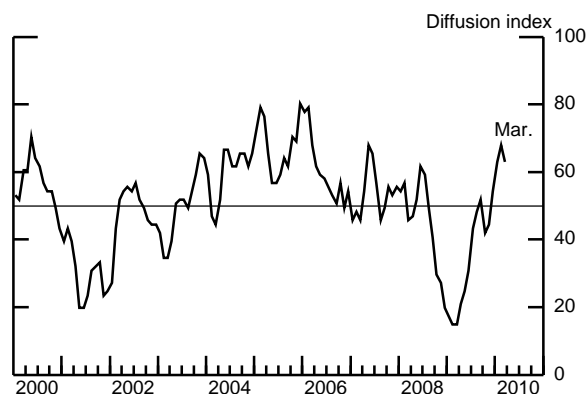
Computers and Peripherals



Note: 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.

Shipments Diffusion Index



Note: 3-month moving average. The diffusion index equals the percentage of 26 nontransportation equipment categories that experienced an increase in shipments relative to 3 months prior.

Source: Census Bureau.

Price Measures
(Percent change)

Measures	12-month change		3-month change		1-month change	
	Mar. 2009	Mar. 2010	Annual rate		Monthly rate	
			Dec. 2009	Mar. 2010	Feb. 2010	Mar. 2010
<i>CPI</i>						
Total	-4	2.3	2.5	.9	.0	.1
Food	4.4	.2	1.0	2.3	.1	.2
Energy	-23.0	18.3	15.3	9.2	-.5	.0
Ex. food and energy	1.8	1.1	1.3	-.2	.1	.0
Core goods	.4	1.9	2.9	-.1	-.1	-.1
Core services	2.3	.8	.7	-.2	.1	.1
Shelter	1.5	-.7	-.6	-2.3	.0	-.1
Other services	3.5	2.8	2.6	2.5	.3	.3
Memo: Trimmed mean	2.3	1.0	1.2	.6	.0	.0
Chained CPI (n.s.a.) ¹	-.1	2.5	...	...	...	...
Ex. food and energy ¹	1.7	.8	...	...	...	...
<i>PCE prices</i> ²						
Total	.2	2.0	2.5	1.1	.0	.1
Food and bev. at home	4.6	-.5	1.4	2.3	.1	.3
Energy	-24.8	18.6	16.1	9.0	-.6	.0
Ex. food and energy	1.7	1.3	1.8	.5	.0	.1
Core goods	.7	.3	-.7	-.9	-.1	.0
Core services	2.0	1.7	2.6	.9	.1	.1
Housing services	2.4	.0	-.4	-.6	.0	-.1
Other services	1.9	2.2	3.5	1.4	.1	.2
Memo: Trimmed mean	2.3	...	1.4	...	.0	...
Core market-based	2.1	1.1	1.0	.4	.1	.1
Core non-market-based	-.9	2.5	6.4	.7	-.1	.1
<i>PPI</i>						
Total finished goods	-3.4	6.0	9.6	6.2	-.6	.7
Food	-1.3	6.8	13.7	13.3	.4	2.4
Energy	-25.0	22.9	37.7	11.9	-2.9	.7
Ex. food and energy	3.8	.9	.0	1.9	.1	.1
Core consumer goods	4.2	1.4	.7	2.9	.2	.1
Capital equipment	3.4	.2	-.8	.8	-.1	.0
Intermediate materials	-8.9	7.7	9.8	9.8	.1	.6
Ex. food and energy	-1.8	4.0	3.7	8.9	.9	.7
Crude materials	-38.9	33.4	59.4	42.0	-3.5	3.2
Ex. food and energy	-32.9	44.5	25.2	59.1	-.6	6.0

1. Higher-frequency figures are not applicable for data that are not seasonally adjusted (n.s.a.).

2. PCE prices in March 2010 are staff estimates.

... Not applicable.

Source: For consumer price index (CPI) and producer price index (PPI), U.S. Dept. of Labor, Bureau of Labor Statistics; for personal consumption expenditures (PCE), U.S. Dept. of Commerce, Bureau of Economic Analysis; for trimmed mean CPI, Federal Reserve Bank of Cleveland; for trimmed mean PCE, Federal Reserve Bank of Dallas.

Selected Financial Market Quotations

(One-day quotes in percent except as noted)

Instrument	2008	2010			Change to Apr. 22 from selected dates (percentage points)			
	Sept. 12	Jan. 26	Mar. 15	Apr. 22	2008 Sept. 12	2010 Jan. 26	2010 Mar. 15	
<i>Short-term</i>								
FOMC intended federal funds rate	2.00	.13	.13	.13	-1.87	.00	.00	
Treasury bills ¹								
3-month	1.46	.07	.17	.16	-1.30	.09	-.01	
6-month	1.80	.14	.24	.24	-1.56	.10	.00	
Commercial paper (A1/P1 rates) ²								
1-month	2.39	.14	.21	.23	-2.16	.09	.02	
3-month	2.75	.20	.20	.28	-2.47	.08	.08	
Large negotiable CDs ¹								
3-month	2.79	.20	.23	.31	-2.48	.11	.08	
6-month	3.09	.29	.34	.43	-2.66	.14	.09	
Eurodollar deposits ³								
1-month	2.60	.28	.28	.30	-2.30	.02	.02	
3-month	3.00	.40	.40	.40	-2.60	.00	.00	
Bank prime rate	5.00	3.25	3.25	3.25	-1.75	.00	.00	
<i>Intermediate- and long-term</i>								
U.S. Treasury ⁴								
2-year	2.24	.85	.95	1.04	-1.20	.19	.09	
5-year	2.97	2.38	2.42	2.57	-.40	.19	.15	
10-year	3.93	3.80	3.84	3.89	-.04	.09	.05	
U.S. Treasury indexed notes ⁵								
5-year	1.33	.38	.56	.65	-.68	.27	.09	
10-year	1.77	1.37	1.56	1.51	-.26	.14	-.05	
Municipal general obligations (Bond Buyer) ⁶	4.54	4.30	4.33	4.37	-.17	.07	.04	
Private instruments								
10-year swap	4.26	3.72	3.77	3.73	-.53	.01	-.04	
10-year FNMA ⁷	4.36	4.14	4.18	4.26	-.10	.12	.08	
10-year AA ⁸	6.62	5.04	5.02	4.90	-1.72	-.14	-.12	
10-year BBB ⁸	7.22	5.74	5.72	5.55	-1.67	-.19	-.17	
10-year high yield ⁸	10.66	8.76	8.64	8.30	-2.36	-.46	-.34	
Home mortgages (FHLMC survey rate)								
30-year fixed	5.78	4.98	4.96	5.07	-.71	.09	.11	
1-year adjustable	5.03	4.29	4.12	4.22	-.81	-.07	.10	
<hr/>								
Stock exchange index	Record high		2010			Change to Apr. 22 from selected dates (percent)		
	Level	Date	Jan. 26	Mar. 15	Apr. 22	Record high	2010 Jan. 26	2010 Mar. 15
Dow Jones Industrial	14,165	10-9-07	10,194	10,642	11,134	-21.39	9.22	4.62
S&P 500 Composite	1,565	10-9-07	1,092	1,151	1,209	-22.78	10.67	5.06
Nasdaq	5,049	3-10-00	2,204	2,362	2,519	-50.10	14.31	6.64
Russell 2000	856	7-13-07	612	674	734	-14.19	19.95	8.88
D.J. Total Stock Index	15,807	10-9-07	11,282	11,980	12,649	-19.97	12.12	5.59

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:

September 12, 2008, is the last business day before Lehman Brothers Holdings filed for bankruptcy.
 January 26, 2010, is the day before the January 2010 FOMC monetary policy announcement.
 March 15, 2010, is the day before the most recent FOMC monetary policy announcement.

Commercial Bank Credit

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

Type of credit	2008	2009	H1 2009	Q3 2009	Q4 2009	Q1 2010	Mar. 2010	Level ¹ Mar. 2010
Total	4.2	-7.1	-5.5	-8.7	-9.3	-6.8	-5.3	9,308
<i>Loans²</i>								
Total	4.2	-10.2	-7.5	-14.4	-12.7	-10.1	-6.3	6,983
Core	4.6	-8.3	-4.6	-12.4	-12.5	-11.5	-9.1	6,201
To businesses								
Commercial and industrial	14.6	-18.6	-14.7	-26.2	-23.8	-20.6	-17.9	1,284
Commercial real estate	6.4	-4.4	-1.4	-6.1	-8.9	-9.5	-8.0	1,609
To households								
Residential real estate	-3.9	-6.2	-1.7	-11.3	-10.4	-6.6	-6.1	2,120
Revolving home equity	12.8	.5	6.0	-4.9	-4.8	-3.3	-2.0	605
Closed-end mortgages	-8.8	-8.5	-4.5	-13.7	-12.5	-7.9	-7.9	1,515
Consumer	7.2	-3.7	-.6	-5.6	-8.1	-12.8	-6.1	1,187
Memo: Originated ³	7.1	-3.9	-.9	-5.7	-8.1	-12.5	-6.1	1,212
Other	1.6	-23.4	-28.1	-30.3	-14.3	1.8	16.6	783
<i>Securities</i>								
Total	4.1	4.1	1.8	10.7	1.9	3.6	-2.4	2,325
Treasury and agency	16.2	9.2	1.9	23.9	8.4	8.5	4.3	1,463
Other ⁴	-9.5	-3.3	1.6	-8.3	-8.1	-4.5	-13.6	862

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 (FAS 115) and the initial consolidation of certain variable interest entities (FIN 46) and off-balance-sheet vehicles (FAS 166 and 167). 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.

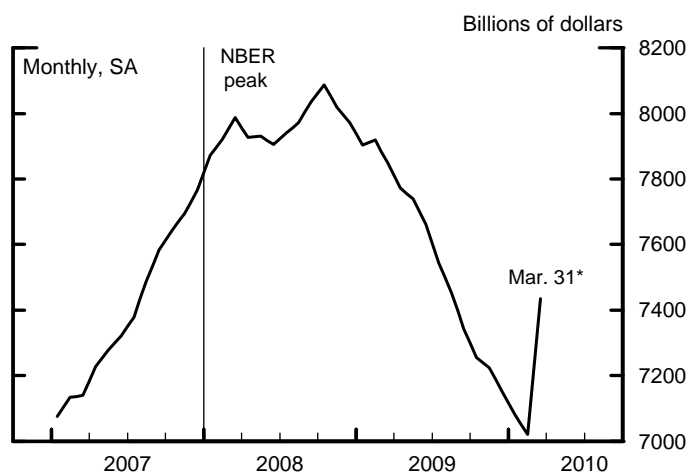
2. Excludes interbank loans.

3. Includes an estimate of outstanding loans securitized by commercial banks that retained recourse or servicing rights.

4. Includes private mortgage-backed securities; securities of corporations, state and local governments, and foreign governments; and any trading account securities that are not Treasury or agency securities.

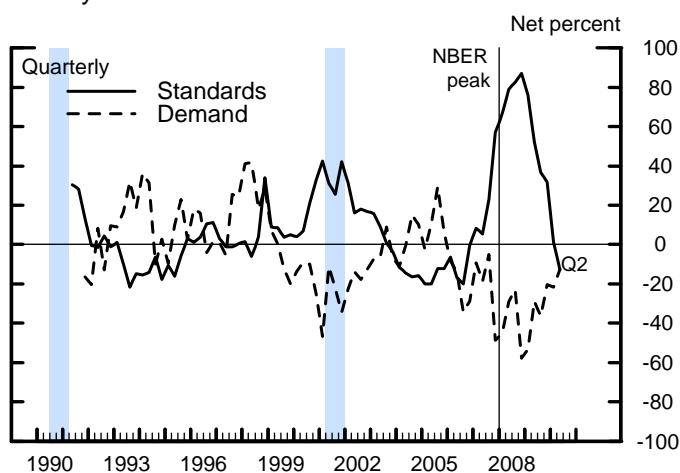
Source: Federal Reserve Board.

Loans and Leases in Bank Credit



*Data for March 31, 2010, reflect banks adoptions of FAS166/167.
Source: Federal Reserve.

Survey Measures of Standards and Demand for Loans



Note: The aggregate indexes of changes can be interpreted as the net percentage of core loans on SLOOS respondents' balance sheets each quarter that were in categories for which banks reported a tightening in standards or strengthening in loan demand.
Source: Senior Loan Officer Opinion Survey.

Note: Shaded bars indicate periods of business recession as defined by the National Bureau of Economic Research (NBER).