

## The Economic Outlook

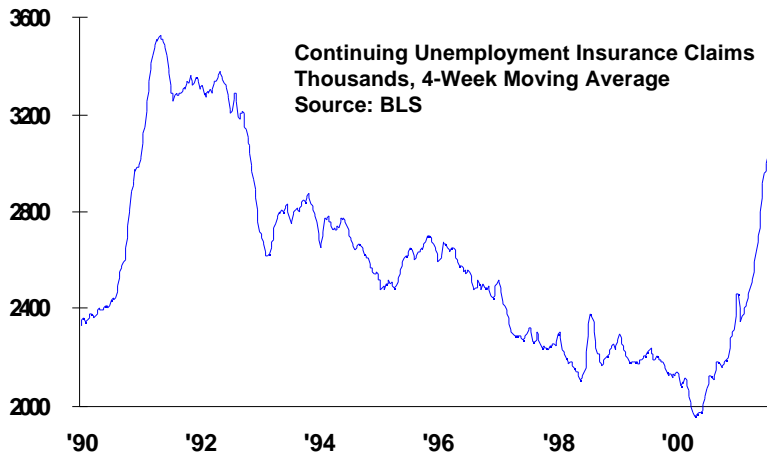
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### Forecast Summary

- U.S. economy is on the precipice of recession.
- Substantial immediate negative economic fallout from the terrorist attack.
- Subsequent economic impact of attack critically depends on the timing, nature and success of any U.S. military and diplomatic action.
- Consumer, business and investor confidence is fragile, and a bunker mentality threatens to develop.
- Fiscal and monetary stimulus is substantial and will partially mitigate the near-term economic impact, and support a stronger economic rebound once the uncertainty surrounding any U.S. response is resolved.

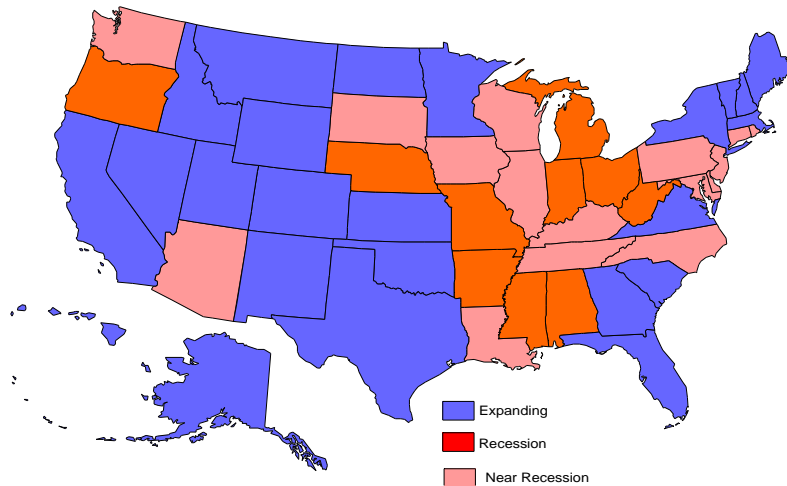
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## On the precipice of recession



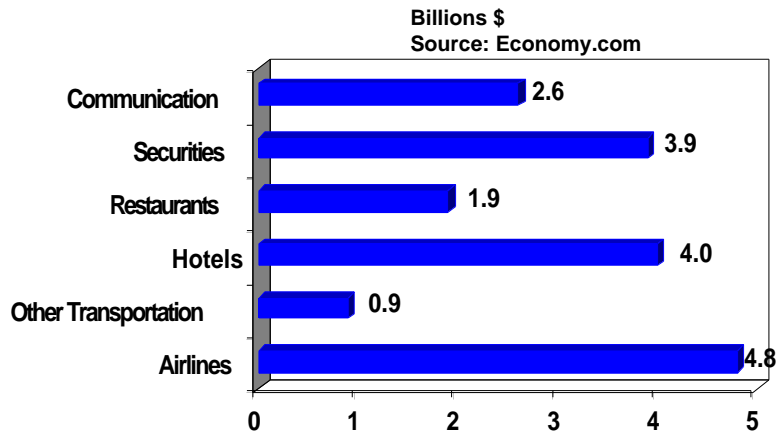
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## States in recession



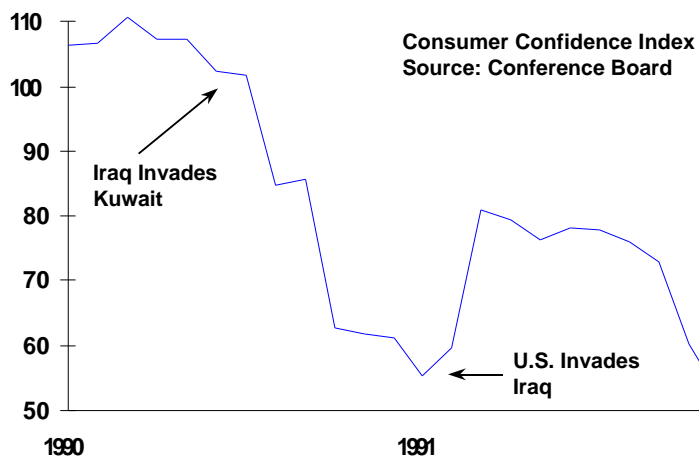
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## Lost output due to attack



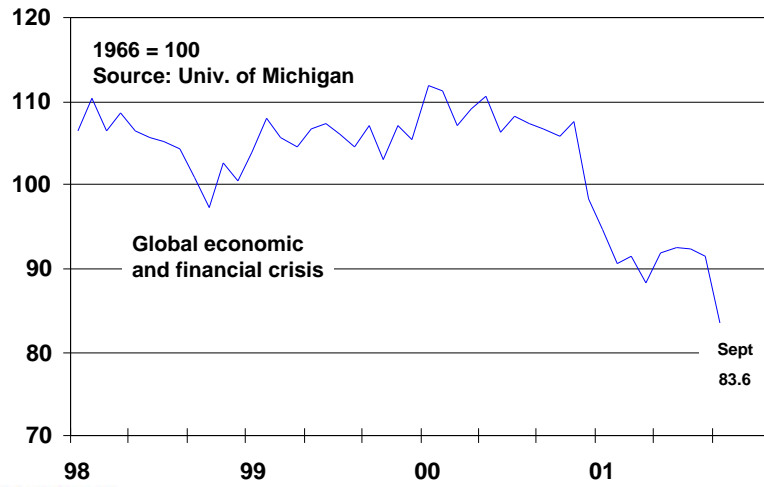
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## Gulf War upended confidence



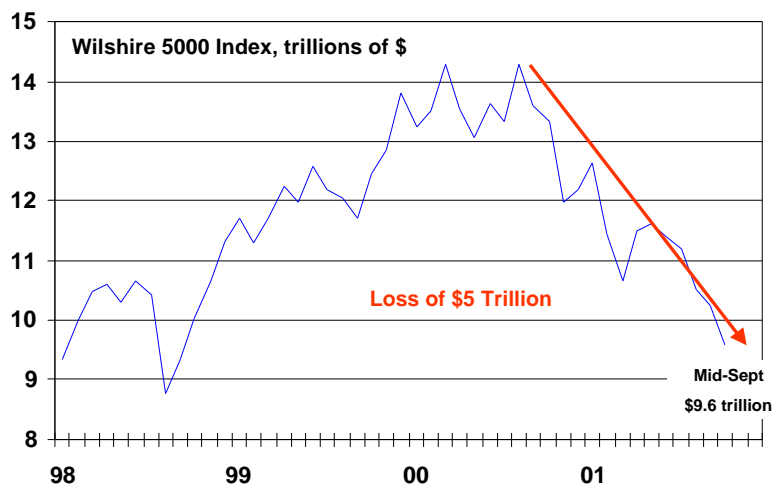
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## Confidence was sliding even prior to attack



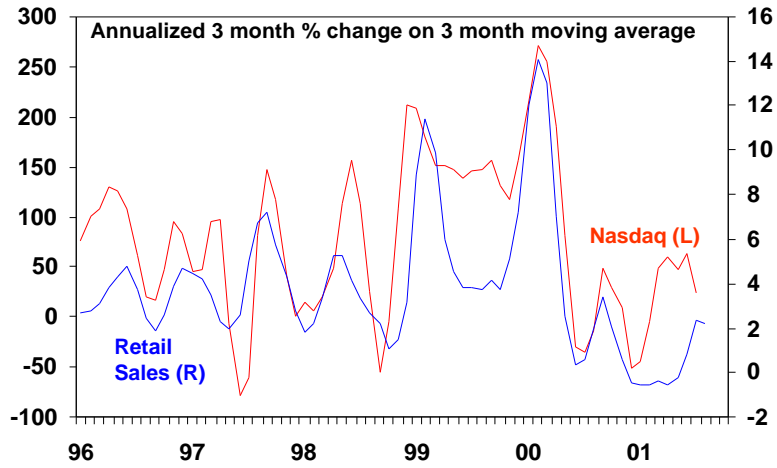
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## Trillions in wealth vanishes



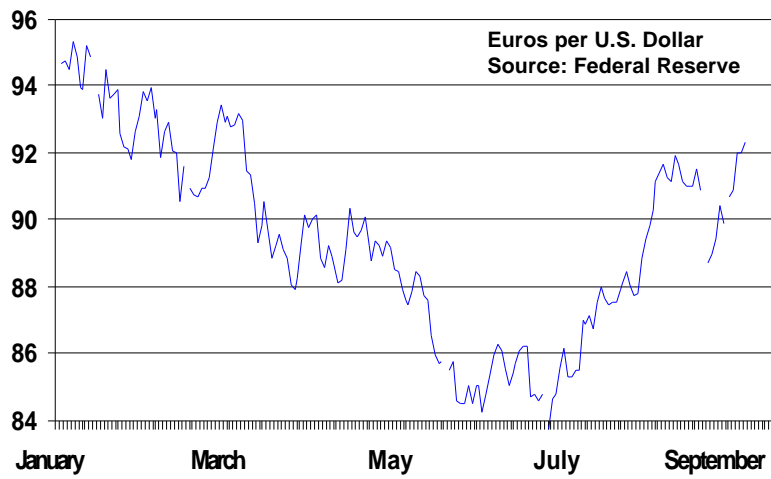
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## Wealth effect at work



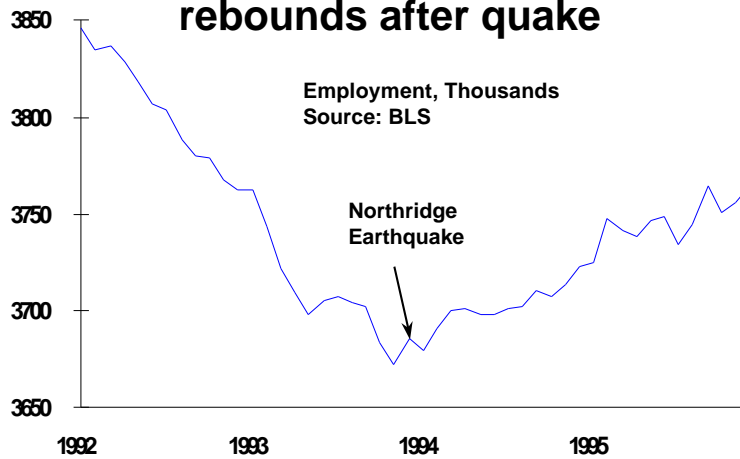
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## The Dollar is vulnerable



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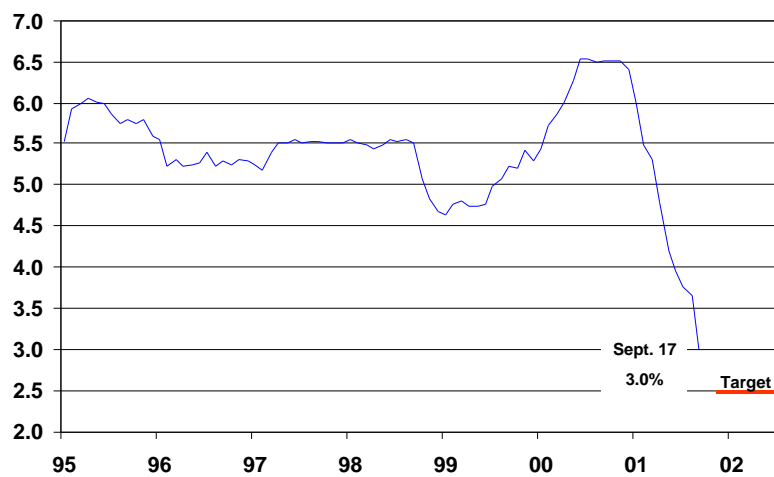
## Los Angeles economy rebounds after quake



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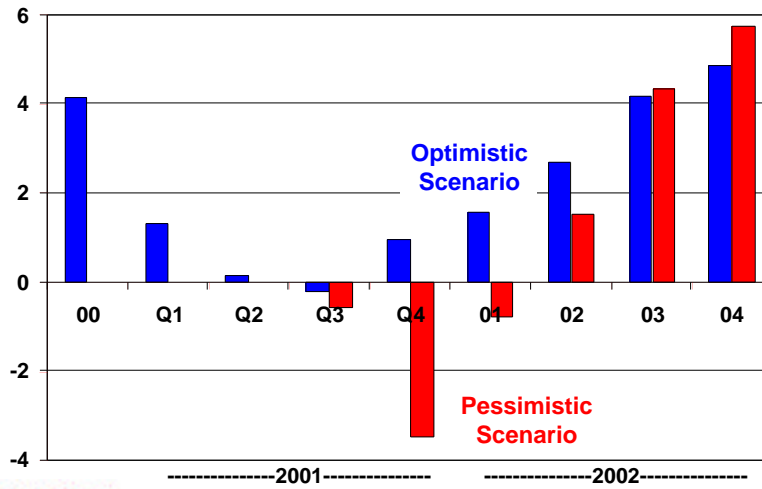
## Aggressive monetary easing

Fed Funds Rate



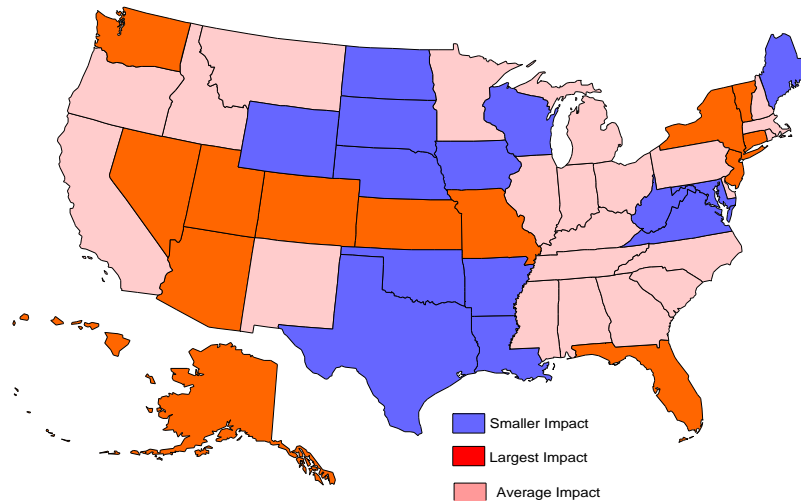
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## U.S. outlook very uncertain Real GDP Growth



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## Regional impact of attack



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# **Attack on America: Fallout on the U.S. Economy**

**by Mark M. Zandi  
Chief Economist  
Economy.com**

*This special report analyzes the impact of the September 11, 2001 attack on the U.S. economy and financial markets. It updates our August 2001 U.S. macro, financial, and state forecasts to account for the impact on the U.S. economy of the September 11 attack. This special report includes analysis by Economy.com Chief Economist Mark Zandi and forecast tables for all major U.S. macro variables and state ranking table for employment, gross state product, and the unemployment rate.*

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**September 17, 2001**

**ECONOMY.COM**

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Table 3: Economic Impact of the Terrorist Attack

# Attack on America: Fallout on the U.S. Economy

*Mark M. Zandi*

The reprehensible terrorist actions perpetrated on September 11, 2001 were an attack on this nation, both politically and economically. With the U.S. and global economies already reeling, the economic shock of these events has the potential to be debilitating. This analysis attempts to quantify the possible and most likely economic ramifications of these recent events.

**Immediate impact.** The initial economic impact of the terrorist attacks is decidedly negative. Estimates of the damage to buildings and physical infrastructure in Lower Manhattan are already topping \$20 billion. By any measure, the costs of this disaster are unprecedented. Hurricane Andrew, which hit Miami in the summer of 1992 and was previously the most costly disaster, resulted in just over \$16 billion in damage (see Table 1).

Economic activity has also been severely disrupted. The nation's civilian air system and financial markets were largely shut down during the week of the attack and are only now slowly being re-established. Job losses totaling in the tens of thousands are already being announced by the nation's major airlines, as they significantly scale back flights. The nation's communication system has also been impacted, as the World Trade Center was an important nexus in that system. The rest of the travel industry, from hotels to convention centers to restaurants, is also reeling. Unlike manufacturing activity, which if disrupted can be made up in future days and weeks, the economic activity being lost currently is lost forever.

Of course the economic disruption goes well beyond these industries. The entire economy came to a virtual standstill in the 24 hours after the attack, and even now the nation's baseball stadiums and shopping malls remain eerily quiet.

The economy of Lower Manhattan, arguably the most productive few square miles anywhere in the nation, has also come to a stop. The average person working on Manhattan creates annual economic output of an estimated \$150,000. This is more than twice the national average of \$70,000. New York city in total has annual gross product of over \$500 billion, equal to approximately 5% of total national economic output.

The economic output lost as a result of the attack is expected to amount to some \$25 billion in September alone. The air passenger and freight industry will take the most significant hit, losing almost \$5 billion during the month, followed by the hotel and securities industry (see Chart 1).

An estimated one full percentage point will thus be shaved from third quarter growth. Real GDP growth, which had been expected to expand by an annualized 0.8% in the third quarter, is now expected to decline by 0.2% (see Table 2). This will be the first decline in the nation's GDP since the first quarter of 1993.

**Year's end, early next.** The economic impact of the attack later this year and early next is much less certain and depends on numerous factors.

Of paramount importance is whether there are any further terrorist attacks, and the nature of the forthcoming U.S. military response. Clearly, the quicker and more effective any political and military action, the more likely the nation's transportation and financial systems will get up and running quickly, a sense of personal safety will be re-established, and travel and commerce will be re-ignited. The economic damage will be limited.

**Table 1: The Economics of Disasters**  
Bils \$

Disaster	Impacted Region	Date	Economic Loss			Economic Aid		Total Aid	Economic Aid as a Share of Economic Loss
			Destruction	Lost Output	Total Loss	Insurance	Government Aid		
Attack on America	Entire Nation	September 2001	20.0	40.0	60.0	15.0	40.0	55.0	91.7
Los Angeles Quake	Los Angeles	January 1994	15.1	9.4	24.5	2.5	11.6	14.1	57.6
Midwest Floods	MN to MO	Summer 1993	4.5	7.0	11.5	1.0	5.2	6.2	53.9
Hurricane Andrew	Miami, FL	August 1992	16.6	8.4	25.0	10.5	7.8	18.3	73.2
Loma Prieta Quake	Bay Area, CA	October 1989	6.8	3.5	10.3	1.0	4.9	5.9	57.3
Hurricane Hugo	Charleston, SC	September 1989	6.3	3.0	9.3	2.7	2.0	4.7	50.5

**Notes:**

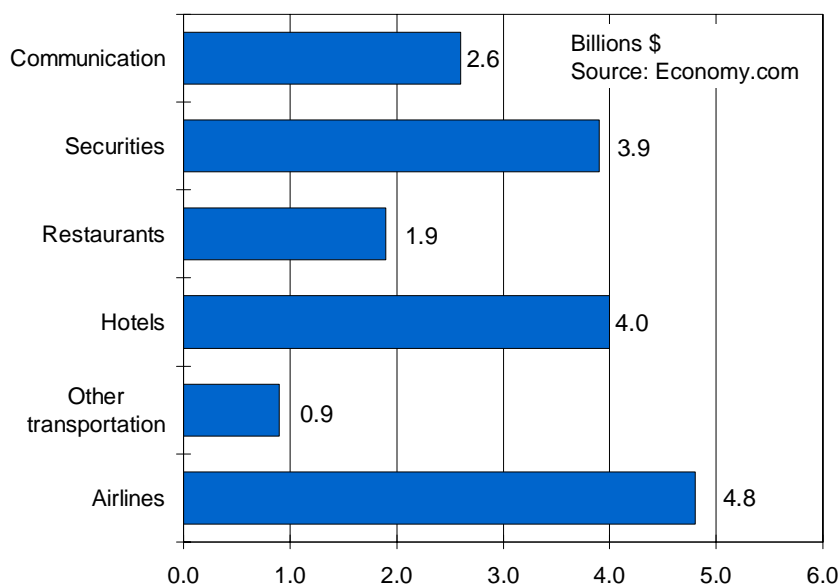
Lost output associated with the Midwest floods includes \$5 billion in crop losses  
The Bay Area includes the metro areas of San Francisco, Oakland, San Jose and Santa Cruz

Source: Economy.com

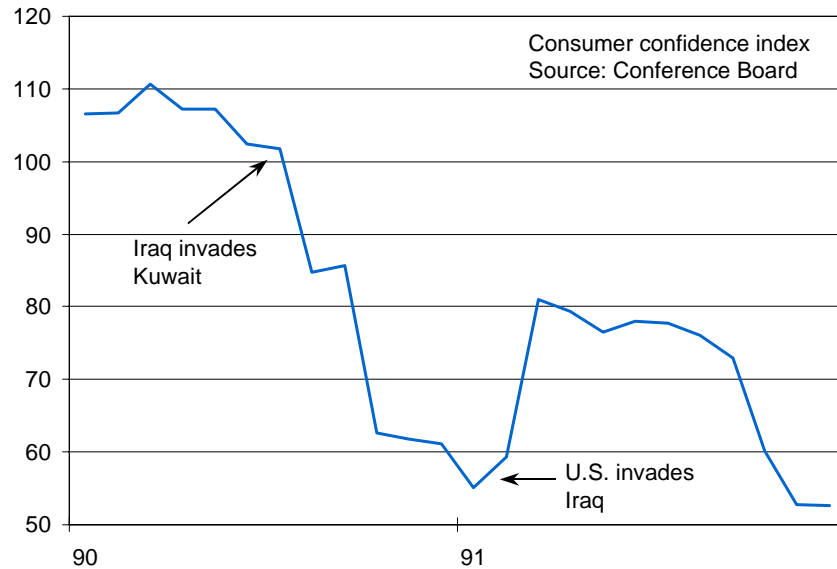
The longer it takes to respond and resolve events to the population’s general satisfaction, however, the more significant the economic disruption to travel and commerce. A bunker mentality could quickly develop among households, businesses and investors, exacerbating the economic damage. There is a historical precedent for confidence to erode under the weight of such events. In the immediate aftermath of the Iraqi invasion of Kuwait in the summer of 1990, oil prices surged, global equity markets slid, and consumer and business confidence caved (see Chart 2). We were all literally and figuratively glued to our TVs during the Gulf War, causing spending and investing to stall. That conflict was thus the proximate cause for the 1990-1991 recession.

The severity of the economic fallout from the terrorist attack will also be determined by the extent and timing of economic aid from insurance payouts, government aid, and financial contributions from various private institutions and individuals. On this score, the immediate response by the Bush administration and Congress has been very positive, with some \$40 billion in aid being appropriated so far to help pay for the cleanup efforts, rebuild infrastructure and beef up security. Congress is also preparing to provide financial aid to the commercial airline industry amounting to at least several billion dollars.

**Chart 1: Estimated Lost Output Due to Terrorist Attack**



**Chart 2: Persian Gulf War Upends Confidence**

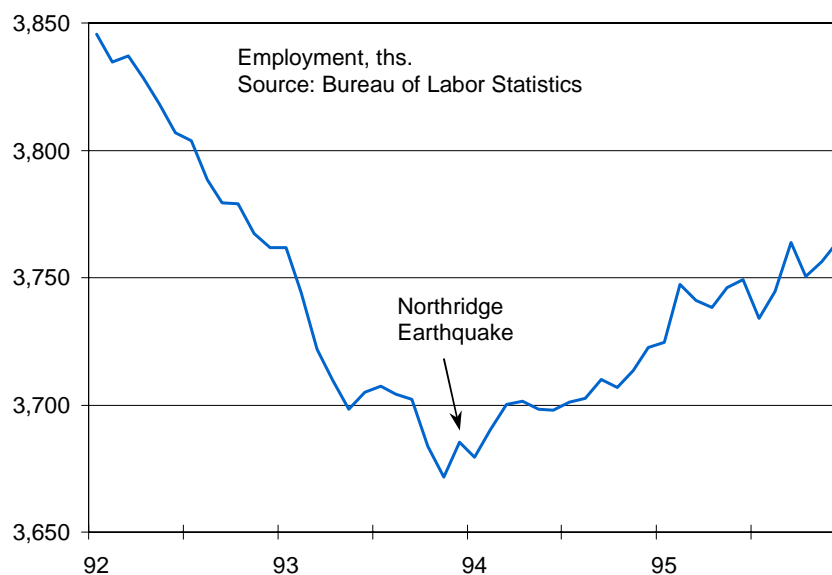


In the wake of previous costly natural disasters, financial aid from insurance payouts and government spending covered between one-half and three-quarters of the total economic cost of the disaster (see Table 1). In every case, the aid was a significant economic stimulus. The Los Angeles economy, for example, was jogged out of a four-year long recession by the rebuilding efforts in the aftermath of the January 1994 Northridge earthquake (see Chart 3). That quake caused an estimated \$15 billion in damage and an additional \$10 billion in lost economic output. Given the affront to all Americans from the terrorist attack, there will likely be significant momentum for the forthcoming aid to fully cover the economic cost of the disaster. The resulting economic stimulus will thus be substantial.

The economic damage from the terrorist attack will also depend on the response of the Federal Reserve Board and other central banks. The Federal Reserve Board has already acted forcefully to last week's terrorist attack by slashing the federal funds rate target by 50 basis points to 3%. Coming just before the re-opening of U.S. stock markets, the action is an effort to head-off the worst of any financial fallout from the attack.

Given sliding financial markets in Asia and Europe, the weakening U.S. dollar, and rising gold and oil prices, policymakers have good reason to fear a broad-based sell off in

**Chart 3: Los Angeles Economy Rebounds After Quake**



the U.S. stock market. Even with the Federal Reserve's actions, the potential for investors to sell U.S. stock in coming days and weeks remains high. A number of key U.S. industries, including the airline, travel and financial services industries are under severe stress, and the stocks of companies in these industries are sure to come under selling pressure.

The Federal Reserve was working hard even before this morning's action to shore up the global financial markets. They added a whopping \$100 billion in liquidity to the financial system late last week to meet the liquidity needs of hard-pressed financial institutions. It also set up facilities with various central banks including the European Central Bank to borrow dollars to provide financial resources to European financial institutions with dollar needs. This suggests that there is a significant amount of cooperation among global central bankers and that interest rate cuts are forthcoming across the globe.

Even more monetary easing is likely in coming weeks. Just how much depends on conditions in global financial markets. A funds rate target of 2.5% by year's end now seems likely. Rates are also likely to remain lower for much longer into next year.

The Federal Reserve's success in limiting any economic fallout will be determined by its ability to support the faith of global investors in the safety of their U.S. stock and bond holdings. U.S. financial markets and the economy have been the beneficiaries of some \$500 billion in annual foreign capital in-flows. Global investors have been very willing to invest in the U.S., deeming it to be the global economy's Aaa credit. If anything were going wrong anywhere in the global economy, then money would flow more freely here. If this view is tarnished by the terrorist attack, then the heretofore-strong U.S. dollar would be at risk, as would global financial markets and the economy.

The economic scenario adopted by Economy.com as its most likely outlook is for policymakers to quickly succeed in their political and military response to the terrorist attack. More specifically, it is assumed that the bulk of the U.S. military response occurs before this Thanksgiving, and the response is sufficient to satisfy the general population that with more stringent safety precautions it is reasonably safe to travel about the nation and much of the rest of the world. It is thus assumed that the U.S. is *not* drawn into a protracted military action that requires the mobilization of a significant number of troops and other military resources. Under this assumption, terrorism will remain an ongoing global issue, but ultimately fade as the overriding issue of the day.

Under these assumptions, the disruptions to the nation's transportation and financial system will cost the economy an estimated additional \$15 billion in lost output in the last few months of this year and early next. Even if there are no further terrorist attacks in the U.S., the nation's transportation and communication systems will surely be disrupted again when the U.S. military does take action against the terrorists. The total cost of the terrorist attack, including the damage to property, will thus total an estimated \$60 billion.

Policymakers are also expected to remain aggressive in their efforts to provide financial aid and monetary support. The expected economic aid from insurance payouts, government aid, and private sources are expected to total an equivalent \$60 billion. The victims of the attack will eventually be made financially whole. The Federal Reserve is also expected to be more aggressive in lowering interest rates, reducing the federal funds rate target to 2.75% from its current 3.0% in coming weeks.

Under these admittedly relatively optimistic assumptions, the negative economic fallout later this year and early next from the terrorist attack will be measurable but limited. The U.S. economy is projected to post a gain of 1.4% in the fourth quarter of this year and growth of close to 2.5% during the first half of next year. While this is painfully slow growth, it is growth nonetheless (see Table 2). For the entire years of 2001 and 2002, real GDP growth is currently expected to be only marginally lower than previously projected (see Table 3).

Of course, a very different economic scenario will unfold if the U.S. military response is more prolonged and success remains elusive. Uncertainty and angst among consumers,

**Table 2: Economic Impact of the Terrorist Attack****A=actual**  
**F=forecast**

	2001Q2A	2001Q3F	2001Q4F	2002Q1F	2002Q2F	2002Q3F	2002Q4F
<b>GDP Growth (%)</b>							
Current Outlook	0.2	-0.2	1.4	2.3	2.7	4.0	4.6
Pre-Terrorist Attack	0.2	0.8	1.9	2.5	2.8	4.0	4.4
Difference	0.0	-1.0	-0.5	-0.2	-0.1	0.0	0.2
<b>Consumer Spending Growth (%)</b>							
Current Outlook	2.5	1.1	1.0	2.1	2.8	3.7	3.8
Pre-Terrorist Attack	2.5	1.8	2.0	2.7	3.1	3.7	3.6
Difference	0.0	-0.7	-1.0	-0.6	-0.3	0.0	0.2
<b>Business Equipment Investment Growth (%)</b>							
Current Outlook	-15.1	-12.0	-2.2	0.6	3.0	5.2	7.6
Pre-Terrorist Attack	-15.1	-10.3	-1.8	0.9	3.5	4.9	6.0
Difference	0.0	-1.7	-0.4	-0.3	-0.5	0.3	1.6
<b>Business Structures Investment Growth (%)</b>							
Current Outlook	-13.4	-12.3	0.4	14.3	8.4	6.5	4.8
Pre-Terrorist Attack	-13.4	-8.1	-0.2	1.5	4.1	5.4	6.7
Difference	0.0	-4.2	0.6	12.8	4.3	1.1	-1.9
<b>Export Growth (%)</b>							
Current Outlook	-12.2	-3.1	0.7	2.9	5.6	7.8	8.7
Pre-Terrorist Attack	-12.2	-1.4	3.2	4.3	5.5	6.7	7.2
Difference	0.0	-1.7	-2.5	-1.4	0.1	1.1	1.5
<b>Government Spending Growth (%)</b>							
Current Outlook	5.4	2.1	3.9	4.1	2.3	1.1	0.0
Pre-Terrorist Attack	5.4	2.1	2.2	2.0	2.0	2.1	2.2
Difference	0.0	0.0	1.8	2.1	0.3	-1.0	-2.2
<b>Employment (Thousands)</b>							
Current Outlook	-0.2	-0.7	-0.1	0.7	1.1	1.4	1.9
Pre-Terrorist Attack	-0.2	-0.6	0.2	1.1	1.5	1.7	1.9
% Difference	0.0	-0.1	-0.3	-0.4	-0.4	-0.3	0.0
<b>Unemployment Rate</b>							
Current Outlook	4.5	4.8	5.1	5.2	5.4	5.5	5.4
Pre-Terrorist Attack	4.5	4.8	5.0	5.1	5.2	5.3	5.3
Difference (Basis Points)	0.0	0.0	0.1	0.1	0.2	0.2	0.1
<b>3-Month T-Bill Rate</b>							
Current Outlook	3.66	3.36	2.71	2.98	3.33	3.90	4.36
Pre-Terrorist Attack	3.66	3.43	2.99	2.99	3.29	3.85	4.25
Difference (Basis Points)	0	-7	-28	-1	4	5	11
<b>10-Year Bond Rate</b>							
Current Outlook	5.27	5.03	4.84	5.15	5.35	5.48	5.55
Pre-Terrorist Attack	5.27	5.08	5.01	5.07	5.17	5.25	5.29
Difference (Basis Points)	0	-5	-17	8	18	23	26
<b>S&amp;P 500</b>							
Current Outlook	1,233	1,155	1,185	1,352	1,390	1,387	1,377
Pre-Terrorist Attack	1,233	1,185	1,287	1,393	1,410	1,392	1,379
% Difference	0.0	-2.6	-7.9	-3.0	-1.4	-0.4	-0.1

Source: Economy.com

**Table 3: Economic Impact of the Terrorist Attack**

<b>A=actual F=forecast</b>	<b>2000A</b>	<b>2001F</b>	<b>2002F</b>	<b>2003F</b>
<b>GDP Growth (%)</b>				
Current Outlook	4.1	1.3	2.1	3.7
Pre-Terrorist Attack	4.1	1.5	2.4	3.5
Difference	0.0	-0.2	-0.3	0.3
<b>Consumer Spending Growth (%)</b>				
Current Outlook	4.8	2.8	2.2	3.4
Pre-Terrorist Attack	4.9	2.9	2.7	3.2
Difference	0.0	-0.1	-0.5	0.2
<b>Business Equipment Investment Growth (%)</b>				
Current Outlook	11.2	-4.6	-1.3	6.6
Pre-Terrorist Attack	11.2	-4.4	-0.9	5.0
Difference	0.0	-0.2	-0.4	1.6
<b>Business Structures Investment Growth (%)</b>				
Current Outlook	6.2	2.5	3.5	4.6
Pre-Terrorist Attack	6.2	3.0	0.2	5.0
Difference	0.0	-0.5	3.3	-0.4
<b>Export Growth (%)</b>				
Current Outlook	9.5	-1.8	2.1	8.2
Pre-Terrorist Attack	9.5	-0.5	2.3	7.3
Difference	0.0	-1.3	-0.2	0.9
<b>Government Spending Growth (%)</b>				
Current Outlook	2.7	3.5	2.9	1.4
Pre-Terrorist Attack	2.7	3.4	2.3	2.2
Difference	0.0	0.1	0.6	-0.8
<b>Employment (Thousands)</b>				
Current Outlook	2.2	0.5	0.6	1.9
Pre-Terrorist Attack	2.2	0.6	0.9	1.7
% Difference	0.0	-0.1	-0.3	0.2
<b>Unemployment Rate</b>				
Current Outlook	4.0	4.6	5.4	5.2
Pre-Terrorist Attack	4.0	4.5	5.2	5.1
Difference (Basis Points)	0	6	16	5
<b>3-Month T-Bill Rate</b>				
Current Outlook	5.82	3.64	3.64	4.99
Pre-Terrorist Attack	5.82	3.73	3.59	4.97
Difference (Basis Points)	0	-9	5	2
<b>10-Year Bond Rate</b>				
Current Outlook	6.03	5.05	5.38	5.83
Pre-Terrorist Attack	6.03	5.10	5.19	5.77
Difference (Basis Points)	0	-5	19	6
<b>S&amp;P 500</b>				
Current Outlook	1,427	1,212	1,376	1,374
Pre-Terrorist Attack	1,427	1,245	1,393	1,383
% Difference	0.0	-2.7	-1.2	-0.6

Source: Economy.com



businesses and investors will continue to build and, as during the Persian Gulf War, the U.S. economy will likely slide into a full-blown recession that will prevail well into next year.

**Long-term.** Under almost any scenario for later this year and early next, the longer-term economic implications of the terrorist actions are disconcerting. At the very least, global outlays on the military and on maintaining personal and business safety will be more substantial in the years ahead. This spending does nothing to lift productivity gains and thus living standards. Indeed, the collapse of the Soviet Bloc in the mid and late 1980s and the subsequent decline in military outlays provided a substantial boost to the U.S. economy during the past decade. Perhaps the costs of combating global terrorism will be more evenly distributed across global economies than was the military spending associated with combating Communism, but perhaps not. The government surpluses that budgeters deemed so likely for years to come now appear very unlikely.

The terrorist acts may also undermine recent efforts to open the U.S. economy more fully to foreign immigration. An early agreement between the U.S. and Mexico to allow for more open immigration seems unlikely now. Stronger immigration to the U.S. will be necessary for the U.S. economy to continue to grow strongly and to support the large number of us who will become retirees and rely on Social Security and Medicare in the decades ahead.

The most significant casualty of the terrorist actions, however, will likely be to the personal privacy of all Americans. It may be necessary for the government to keep closer tabs on all of us to maintain the safety we will all demand. This may very well have serious deleterious implications for the free-flow of ideas and creativity so essential to the entrepreneurship and productivity of the U.S. economy.

**Conclusions.** The U.S. and global economies are significantly threatened by the terrorist attacks on the World Trade Center and Pentagon. Economies from Japan to Germany to the U.S. were already arguably in recession, and the economic disruptions resulting from the attacks could easily undermine the wobbly confidence that prevails and send the global economy into a protracted downturn.

While it may appear that there is no way to avoid a full-blown global economic recession, however, this is not necessarily so. With some deft policymaking and a bit of luck, the global economy could be relatively unscathed by recent events. U.S. policymakers are acting aggressively by appropriating money to aid the victims of the attack and providing liquidity to financial markets and institutions. Substantially more financial resources will be provided in the weeks and months ahead. Policymakers overseas also appear to be very supportive of U.S. actions and are cooperating and coordinating with U.S. policymakers.

The risks are high but the probabilities remain that the terrorist actions will *not* go down in history as the shock that induced the 2000-2001 recession. This would be at least a partial victory against the perpetrators of these dastardly acts.

# Forecast Assumptions

**Monetary Policy.** The Federal Reserve Board has acted forcefully to last week's terrorist attack by slashing the federal funds rate target by 50 basis points to 3%. Coming just before the re-opening of U.S. stock markets, the action is an effort to head-off the worst of any financial fallout from the attack.

Given sliding financial markets in Asia and Europe, the weakening U.S. dollar, and rising gold and oil prices, policymakers have good reason to fear a broad-based selloff in the U.S. stock market. Even with the Federal Reserve's actions, the potential for investors to sell U.S. stock in coming days and weeks remains high. A number of key U.S. industries, including the airline, travel and financial services industries, are under severe stress, and the stocks of companies in these industries are sure to come under selling pressure.

The Federal Reserve was working hard even before this morning's action to shore up the global financial markets. They added a whopping \$100 billion in liquidity to the financial system late last week to meet the liquidity needs of hard-pressed financial institutions. It also set up facilities with various central banks, including the European Central Bank, to borrow dollars to provide financial resources to European financial institutions with dollar needs. This suggests that there is a significant amount of cooperation among global central bankers and that interest rate cuts are forthcoming across the globe.

Central bankers have significant latitude to ease monetary policy further given the terrorist action, an economy that was already close to, if not in, recession prior to the attack, and low and receding inflation. The initial economic impact of the terrorist attacks is decidedly negative. Estimates of the damage to buildings and physical infrastructure in Lower Manhattan are already topping \$20 billion. By any

measure, the costs of this disaster are unprecedented. Hurricane Andrew, which hit Miami in the summer of 1992 and was previously the most costly disaster, resulted in an estimated just over \$16 billion in damage.

Economic activity has also been severely disrupted. The nation's civilian air system and financial markets were largely shut down during the week of the attack and are only now slowly being re-established. Job losses totaling in the tens of thousands are already being announced by the nation's major airlines, as they significantly scale back flights. The rest of the travel industry, from hotels to convention centers to restaurants, is also reeling. Of course the economic disruption goes well beyond these industries. The entire economy came to a virtual standstill in the 24 hours after the attack, and even now the nation's baseball stadiums and shopping malls remain eerily quiet.

An estimated full percentage point will thus be shaved from this quarter's growth. Real GDP growth, which had been expected to expand by an annualized 0.8% in the third quarter, is now expected to decline by 0.2%.

While the disruptions to the U.S. and global economy are expected to result temporarily in somewhat higher energy prices and a lower dollar, overall inflation is expected to moderate further under the weight of substantially weaker global economic conditions. Core producer prices and nonenergy import prices are already falling, and core consumer price inflation appears set to decelerate. Inflation is not a factor in the Federal

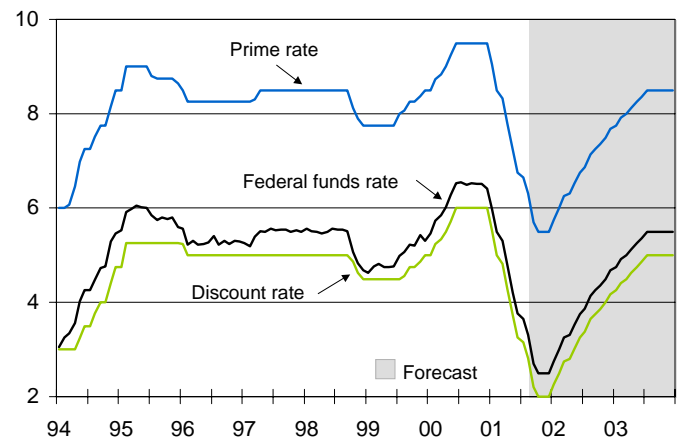
Reserve's current decision making. The federal funds rate target is expected to end this year at 2.5%.

**Fiscal Policy.** Any concern regarding the federal government's deteriorating fiscal situation has vanished, at least temporarily, in the wake of the terrorist attack. The surplus for fiscal year 2001 is still expected to come in close to \$150 billion, but the costs associated with responding to the terrorist attack and aiding its victims, and the impact of the weakening economy on revenues and outlays will significantly cut into the surplus for FY 2002.

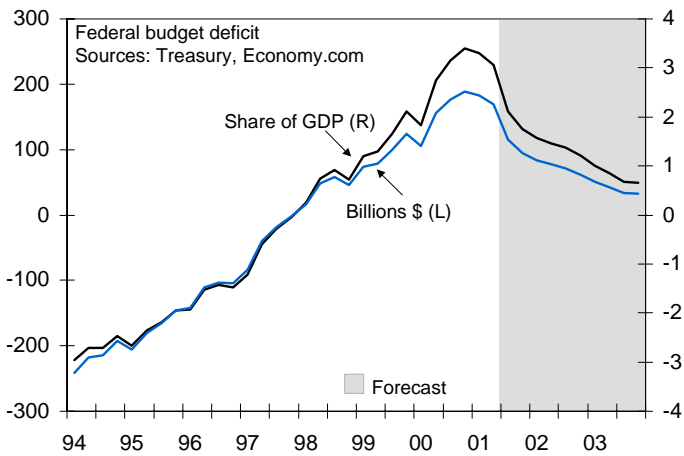
The Bush administration and Congress have already appropriated some \$40 billion in aid to help pay for the cleanup efforts, rebuild infrastructure and beef up security. Congress is also preparing to provide financial aid to the commercial airline industry amounting to at least several billion dollars. Even more government aid will be forthcoming if the economic costs continue to rise. The victims of the attack will ultimately be made financially whole.

The initially weaker economy resulting from the attack will also cut into revenues and add to the costs of providing support to economically distressed households. Even prior to the mailing of tax rebate checks in July, revenue growth was stalling. Year-over-

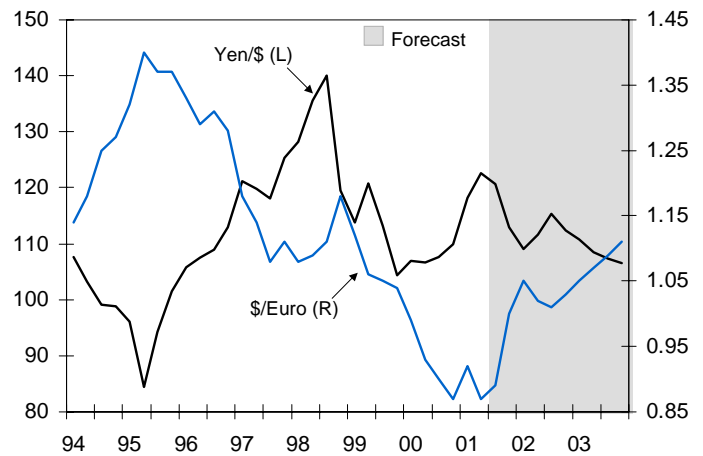
**Chart 1: Monetary Policy**



**Chart 2: Fiscal Policy**



**Chart 3: U.S. Dollar**



year growth through July is now just over 3%. This compares to double-digit growth just a year ago, and is the weakest growth since in the wake of the 1990-91 recession.

The growth in government outlays is also already accelerating. Excluding interest payments on the national debt, year-over-year outlay growth is currently near 6%, the strongest it has been since the early 1990s.

The surplus for FY 2002 will likely come in close to only \$50 billion. Longer-term budget prospects are also dimming given the large tax cuts slated for coming years and the prospects for substantially more government spending, particularly for the military.

**U.S. Dollar.** The U.S. dollar is under growing pressure. The dollar is currently trading close to 92 cents to the dollar and

117 to the yen. Prior to the attack, the euro was worth less than 90 cents and the dollar was fetching more than 120 yen.

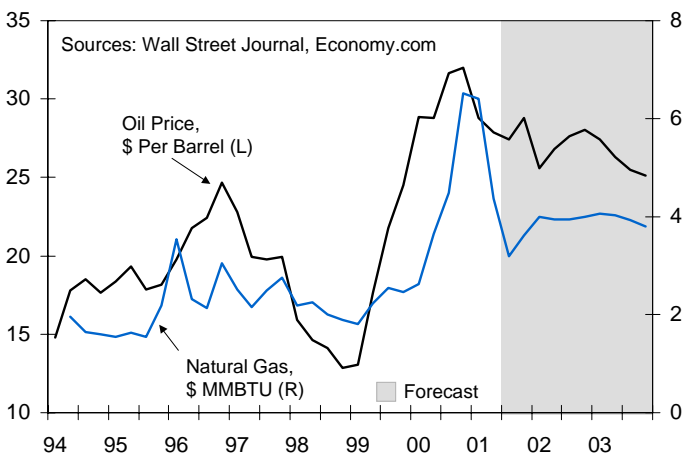
Global investors are re-evaluating their views regarding the safety of their U.S. stock and bond holdings. U.S. financial markets and the economy have been the beneficiaries of some \$500 billion in annual foreign capital inflows. Global investors have been very willing to invest in the U.S., deeming it to be the global economy's AAA credit. If anything were going wrong anywhere in the global economy, then money would flow more freely here. This view has been tarnished by the terrorist attack, thus putting U.S. financial markets and the dollar at substantial risk.

The dollar is expected to end the year close to parity with the euro and near 110 yen.

**Energy Prices.** Energy prices remain high, and the potential for them to spike higher in coming weeks is very high. The price of West Texas Intermediate oil has risen from near \$25 per barrel prior to the terrorist attack to near \$30 per barrel currently. The growing concern in global energy markets is that while the oil producing areas of the Middle East do not appear at direct risk, there is a high degree of concern that the global energy supply chain will be disrupted by a likely U.S. military action in the region.

Despite these concerns, oil prices are assumed to be near a peak. This is based on the assumption that any U.S. military action will not significantly disrupt global energy supplies and that OPEC will respond to the higher oil prices by unofficially pumping more oil until price pressures abate.

**Chart 4: Oil Prices**



# U.S. Macro Summary—FORECAST

	01Q3	01Q4	02Q1	02Q2	02Q3	02Q4	03Q1	03Q2	2001	2002	2003	2004	2005
<b>Gross Domestic Product, Annual % Change</b>													
<b>Gross Domestic Product</b>	-0.2	1.4	2.3	2.7	4.0	4.6	3.9	3.4	1.3	2.1	3.7	3.0	2.9
<b>Consumption</b>	1.1	1.0	2.1	2.8	3.7	3.8	3.5	3.2	2.8	2.2	3.4	2.9	2.8
Durables	-1.0	-2.0	0.5	1.7	3.2	0.8	-1.1	-1.9	4.1	0.8	-0.3	-0.4	0.4
Motor Vehicles	-7.4	-6.4	0.8	2.7	6.0	-0.8	-3.5	-5.1	2.2	-0.5	-1.8	-0.4	1.5
Nondurables	1.8	1.8	2.3	2.6	2.9	3.1	3.0	2.7	1.9	2.2	2.8	2.3	2.2
Services	1.2	1.3	2.4	3.2	4.2	5.0	4.9	4.8	2.9	2.6	4.6	4.1	3.7
<b>Fixed Investment</b>	-8.2	-3.5	0.1	2.1	4.6	6.8	7.4	5.6	-1.8	-1.0	5.6	3.2	3.2
Nonresidential	-12.1	-1.6	3.4	4.2	5.5	7.0	7.5	6.2	-2.9	-0.2	6.2	4.3	3.7
Structures	-12.3	0.4	14.4	8.3	6.6	4.7	4.0	3.8	2.5	3.5	4.6	2.9	2.2
Equipment	-12.0	-2.2	0.6	3.0	5.2	7.6	8.5	6.8	-4.6	-1.3	6.6	4.6	4.1
Residential	3.9	-9.4	-10.8	-5.1	1.6	6.0	6.9	3.7	1.3	-4.2	3.4	-0.6	1.3
Single Family	3.8	-13.1	-16.2	-6.7	0.9	6.5	7.5	3.1	0.4	-6.9	3.1	-2.0	0.6
Multifamily	6.9	-1.6	-6.5	-8.2	3.5	12.5	14.0	13.5	5.2	-1.0	9.3	2.4	3.2
Other	3.5	-6.0	-4.9	-2.7	2.0	4.6	5.1	3.0	1.9	-1.5	3.0	0.4	1.8
<b>Exports</b>	-3.1	0.7	2.9	5.6	7.8	8.7	8.9	8.4	-1.8	2.1	8.2	7.6	7.5
Merchandise	-4.0	0.8	3.1	5.9	8.1	9.0	9.2	8.6	-3.0	1.8	8.5	7.9	7.9
Services	-0.5	0.3	2.3	4.7	6.9	7.8	8.0	7.8	1.1	2.9	7.4	6.8	6.5
<b>Imports</b>	-1.0	2.2	4.4	5.7	5.9	5.9	6.0	6.0	-0.4	3.0	5.9	5.9	5.8
Merchandise	-1.4	2.1	4.6	5.8	6.0	6.0	6.0	6.0	-1.4	2.9	6.0	6.0	5.8
Services	1.2	2.8	3.3	4.9	5.5	5.6	6.1	6.0	4.9	3.7	5.7	5.7	5.9
<b>Government</b>	2.1	3.9	4.1	2.3	1.1	0.0	0.9	2.1	3.5	2.9	1.4	2.8	2.8
Defense	2.2	6.5	4.4	1.6	-0.1	-2.8	-1.2	1.7	4.4	2.8	0.0	2.1	1.8
Nondefense	2.5	8.5	13.0	4.2	-1.5	-5.0	-1.4	1.6	-1.7	5.3	-0.4	3.3	3.2
State and Local	2.0	2.2	2.4	2.1	2.0	1.9	2.0	2.3	4.1	2.5	2.2	2.9	3.0
<b>Final Sales</b>	-0.6	0.4	1.8	2.4	3.5	3.9	3.9	3.6	2.1	1.6	3.5	3.0	3.0
<b>Final Domestic Sales</b>	-0.4	0.7	2.1	2.6	3.4	3.7	3.7	3.4	2.2	1.8	3.4	3.0	2.9
<b>Consumers</b>													
<b>Personal Saving Rate</b>	2.6	2.1	2.4	2.7	3.0	3.7	3.9	4.1	1.8	3.0	4.2	4.8	4.9
<b>Retail Sales (Bil. \$)</b>	3,181.4	3,209.7	3,246.0	3,286.2	3,332.6	3,367.2	3,399.1	3,429.0	3,171.8	3,308.0	3,445.4	3,584.5	3,737.4
<i>Annual % Change</i>	2.9	3.6	4.6	5.0	5.8	4.2	3.8	3.6	3.0	4.3	4.2	4.0	4.3
<b>Total Vehicle Sales (Mil.)</b>	16.2	15.9	16.0	16.1	16.4	16.2	16.0	15.7	16.4	16.2	15.7	15.5	15.7
<b>Housing Starts (Mil.)</b>	1.62	1.51	1.47	1.47	1.50	1.54	1.57	1.57	1.59	1.50	1.56	1.51	1.50
<b>Producers</b>													
<b>Industrial Production</b>	142.6	142.8	144.0	144.8	146.1	147.8	149.3	150.5	143.7	145.7	151.1	155.5	159.7
<i>Annual % Change</i>	-3.6	0.6	3.4	2.2	3.6	4.7	4.1	3.3	-2.2	1.4	3.7	2.9	2.7
<b>Capacity Utilization</b>	75.4	75.3	75.6	75.7	76.7	78.4	79.7	80.3	76.3	76.6	80.3	81.0	81.3
<b>Labor Markets</b>													
<b>Total Employment (Mil.)</b>	132.3	132.2	132.5	132.8	133.3	133.9	134.7	135.4	132.4	133.1	135.6	137.5	139.2
<i>Annual % Change</i>	-0.7	-0.1	0.7	1.1	1.4	1.9	2.3	2.1	0.5	0.6	1.9	1.4	1.2
<b>Unemployment Rate</b>	4.7	5.0	5.2	5.4	5.5	5.4	5.3	5.2	4.6	5.4	5.2	5.1	5.1
<b>Prices</b>													
<b>Consumer Price Index</b>	177.6	178.5	179.4	180.2	181.2	182.2	183.2	184.3	177.4	180.7	184.9	189.4	194.0
<i>Annual % Change</i>	0.5	2.0	2.0	1.9	2.2	2.3	2.3	2.4	3.0	1.9	2.3	2.5	2.4
<b>Producer Price Index</b>	133.5	133.4	134.1	135.0	137.3	140.7	143.5	144.9	135.2	136.8	145.2	148.3	152.0
<i>Annual % Change</i>	-7.6	-0.5	2.1	2.7	7.1	10.4	8.0	4.2	1.9	1.1	6.1	2.2	2.5
<b>West Texas Inter. (\$/Bbl)</b>	27.4	27.1	26.5	26.8	27.6	27.9	27.3	26.3	27.8	27.2	26.1	24.6	24.8
<b>Financial Markets</b>													
<b>Federal Funds</b>	3.58	2.83	3.02	3.36	3.92	4.37	4.78	5.12	4.08	3.67	5.21	5.50	5.27
<b>Prime Rate</b>	6.57	5.83	6.02	6.36	6.92	7.37	7.78	8.12	7.09	6.67	8.21	8.50	8.27
<b>30-Year Treasury</b>	5.39	5.27	5.43	5.50	5.54	5.60	5.61	5.65	5.45	5.52	5.88	6.22	6.04
<b>FRB 10-Country Index</b>	125.4	116.7	112.5	115.5	117.7	116.1	114.4	112.6	123.4	115.4	112.1	108.7	107.1
<i>Annual % Change</i>	-5.4	-24.8	-13.8	11.2	7.6	-5.1	-6.0	-6.1	2.9	-6.4	-2.9	-3.1	-1.5
<b>Government</b>													
<b>Government Balance (Bil. \$)</b>													
NIPA Basis	87.5	86.1	84.1	83.4	83.1	64.5	54.8	47.1	142.1	78.8	41.5	16.0	-34.0
Unified Budget	-14.3	-42.4	-40.1	183.2	-16.5	-42.3	-7.6	130.5	114.5	84.3	49.5	17.8	-43.8

# National Income and Product Accounts—HISTORY

	99Q3	99Q4	00Q1	00Q2	00Q3	00Q4	01Q1	01Q2	1996	1997	1998	1999	2000
<b>Composition of Economic Activity (Bil. Constant\$)</b>													
<b>Gross Domestic Product</b>	8,871.5	9,049.9	9,102.5	9,229.4	9,260.1	9,303.9	9,334.5	9,338.4	7,813.1	8,159.4	8,508.9	8,856.5	9,224.0
<b>Consumption</b>	6,000.0	6,083.6	6,171.7	6,226.3	6,292.1	6,341.1	6,388.5	6,427.5	5,237.5	5,423.9	5,683.7	5,968.4	6,257.8
Durables	827.2	854.2	892.1	886.5	904.1	899.4	922.4	938.4	616.5	657.4	726.7	817.9	895.5
Motor Vehicles	331.3	338.5	355.2	342.9	351.2	343.9	357.0	362.0	256.3	264.8	292.0	327.7	348.3
Nondurables	1,768.6	1,801.1	1,823.8	1,844.9	1,864.1	1,866.8	1,878.0	1,879.9	1,574.1	1,619.9	1,686.4	1,766.4	1,849.9
Services	3,413.7	3,440.5	3,472.2	3,509.6	3,540.2	3,588.8	3,605.1	3,628.1	3,047.0	3,147.0	3,273.4	3,393.2	3,527.7
<b>Fixed Investment</b>	1,610.8	1,629.7	1,683.4	1,719.2	1,730.1	1,732.1	1,740.3	1,695.9	1,212.7	1,328.6	1,480.0	1,595.4	1,716.2
Nonresidential	1,244.6	1,262.4	1,309.4	1,347.7	1,371.1	1,374.5	1,373.9	1,320.6	899.4	1,009.4	1,136.0	1,228.6	1,350.7
Structures	253.2	255.7	261.1	268.5	278.2	283.3	291.7	281.4	225.0	245.4	262.2	256.9	272.8
Equipment	999.5	1,015.2	1,058.3	1,089.6	1,102.3	1,099.3	1,087.7	1,044.1	674.5	764.2	875.4	978.3	1,087.4
Residential	368.2	369.7	377.3	376.5	366.3	365.3	372.9	378.1	313.3	319.7	345.1	368.3	371.4
Single Family	187.5	192.1	197.4	195.0	186.2	185.0	191.1	192.9	159.1	158.6	176.0	189.0	190.9
Multifamily	23.7	23.3	23.5	23.5	21.5	22.2	23.3	23.8	20.3	21.9	21.7	23.4	22.7
Other	157.1	154.2	156.4	158.1	158.9	158.3	158.7	161.5	133.8	139.2	147.6	156.0	157.9
Inventory Change	39.6	92.8	28.9	78.9	51.7	42.8	-27.1	-38.4	30.0	63.8	76.7	62.1	50.6
NonFarm	52.2	88.7	37.8	75.1	56.6	39.7	-27.3	-36.0	na	60.6	75.0	63.5	52.3
Farm	-13.8	3.6	-9.2	3.7	-5.4	3.0	0.2	-2.3	7.8	3.2	1.6	-1.9	-2.0
<b>Net Exports</b>	-333.3	-337.8	-371.1	-392.8	-411.2	-421.1	-404.5	-410.5	-89.0	-113.4	-221.1	-316.9	-399.1
Exports	1,041.8	1,072.1	1,095.5	1,130.6	1,159.3	1,147.5	1,144.1	1,107.4	874.2	981.5	1,002.4	1,034.9	1,133.2
Merchandise	758.1	784.6	800.8	829.2	864.8	849.5	844.4	805.0	618.4	708.1	722.9	751.3	836.1
Services	284.6	288.7	295.9	302.9	297.8	300.5	301.8	303.0	255.8	273.6	279.8	284.3	299.3
Imports	1,375.1	1,409.8	1,466.6	1,523.4	1,570.6	1,568.5	1,548.6	1,517.9	963.1	1,094.8	1,223.5	1,351.7	1,532.3
Merchandise	1,182.1	1,211.6	1,258.8	1,309.6	1,348.0	1,345.9	1,322.8	1,289.7	808.4	923.1	1,031.4	1,159.2	1,315.6
Services	195.0	200.1	209.7	215.9	224.6	224.7	227.4	229.2	154.8	171.7	192.2	194.2	218.7
<b>Government</b>	1,533.2	1,564.8	1,560.4	1,577.2	1,570.0	1,582.8	1,603.4	1,624.5	1,422.0	1,455.4	1,483.4	1,531.8	1,572.6
Defense	350.0	361.9	342.3	354.8	345.1	353.8	360.3	362.3	357.0	347.7	341.6	348.6	349.0
Nondefense	187.0	193.6	194.4	202.0	196.5	194.0	191.8	191.9	174.6	181.8	183.8	188.1	196.7
State & Local	995.8	1,009.1	1,023.0	1,020.1	1,027.6	1,034.3	1,050.5	1,069.3	890.4	925.8	957.7	994.7	1,026.3
<b>Final Sales</b>	8,831.9	8,957.2	9,073.6	9,150.5	9,208.4	9,261.1	9,361.6	9,376.8	7,783.1	8,095.7	8,432.2	8,794.4	9,173.4
<b>Final Domestic Sales</b>	9,165.2	9,294.9	9,444.7	9,543.3	9,619.7	9,682.1	9,766.1	9,787.3	7,872.0	8,209.0	8,653.3	9,111.3	9,572.4
<b>Government Balance (Bil. \$)</b>													
NIPA Basis	132.0	143.1	212.8	209.1	229.9	222.5	205.3	189.3	-136.8	-53.3	43.8	119.2	218.6
Unified Budget	30.1	-20.6	-15.0	211.8	60.2	-2.3	-22.5	193.7	-110.6	-2.5	54.4	158.4	254.7
<b>Annual % Change</b>													
<b>Gross Domestic Product</b>	4.7	8.3	2.3	5.7	1.3	1.9	1.3	0.2	3.6	4.4	4.3	4.1	4.1
<b>Consumption</b>	4.4	5.7	5.9	3.6	4.3	3.2	3.0	2.5	3.2	3.6	4.8	5.0	4.8
Durables	9.0	13.7	19.0	-2.5	8.2	-2.1	10.6	7.1	5.6	6.6	10.5	12.6	9.5
Motor Vehicles	3.5	9.0	21.2	-13.1	10.0	-8.1	16.1	5.7	1.1	3.3	10.3	12.2	6.3
Nondurables	2.6	7.6	5.1	4.7	4.2	0.6	2.4	0.4	2.9	2.9	4.1	4.7	4.7
Services	4.3	3.2	3.7	4.4	3.5	5.6	1.8	2.6	2.8	3.3	4.0	3.7	4.0
<b>Fixed Investment</b>	7.3	4.8	13.8	8.8	2.6	0.5	1.9	-9.8	9.3	9.6	11.4	7.8	7.6
Nonresidential	10.1	5.8	15.7	12.2	7.1	1.0	-0.2	-14.6	10.0	12.2	12.5	8.2	9.9
Structures	-7.1	4.0	8.7	11.8	15.3	7.5	12.4	-13.4	7.1	9.1	6.8	-2.0	6.2
Equipment	16.2	6.4	18.1	12.4	4.7	-1.1	-4.2	-15.1	11.0	13.3	14.6	11.8	11.1
Residential	-0.8	1.6	8.5	-0.8	-10.4	-1.1	8.6	5.7	7.4	2.0	8.0	6.7	0.8
Single Family	-0.8	10.2	11.5	-4.8	-16.9	-2.6	13.9	3.8	7.7	-0.3	11.0	7.4	1.0
Multifamily	10.8	-6.6	3.5	0.0	-29.9	13.7	21.3	8.9	10.6	7.7	-1.1	7.9	-2.9
Other	-2.3	-7.2	5.8	4.4	2.0	-1.5	1.0	7.2	6.5	4.0	6.0	5.7	1.2
<b>Exports</b>	9.7	12.2	9.0	13.4	10.5	-4.0	-1.2	-12.2	8.2	12.3	2.1	3.2	9.5
Merchandise	13.1	14.7	8.5	15.0	18.3	-6.9	-2.4	-17.4	8.7	14.5	2.1	3.9	11.3
Services	2.0	5.9	10.4	9.8	-6.6	3.7	1.7	1.6	6.8	7.0	2.2	1.6	5.3
<b>Imports</b>	13.8	10.5	17.1	16.4	13.0	-0.5	-5.0	-7.7	8.6	13.7	11.8	10.5	13.4
Merchandise	14.9	10.4	16.5	17.1	12.3	-0.6	-6.7	-9.6	9.4	14.2	11.7	12.4	13.5
Services	8.0	10.9	20.6	12.4	17.1	0.2	4.9	3.2	4.8	11.0	11.9	1.1	12.6
<b>Government</b>	4.4	8.5	-1.1	4.4	-1.8	3.3	5.3	5.4	1.1	2.4	1.9	3.3	2.7
Defense	12.7	14.3	-20.0	15.4	-10.5	10.5	7.6	2.2	-1.3	-2.6	-1.8	2.0	0.1
Nondefense	-2.1	14.9	1.7	16.6	-10.5	-5.0	-4.5	0.2	0.0	4.1	1.1	2.4	4.6
State & Local	2.9	5.5	5.6	-1.1	3.0	2.6	6.4	7.4	2.3	4.0	3.4	3.9	3.2
<b>Final Sales</b>	4.3	5.8	5.3	3.4	2.6	2.3	4.4	0.7	3.6	4.0	4.2	4.3	4.3
<b>Final Domestic Sales</b>	5.1	5.8	6.6	4.2	3.2	2.6	3.5	0.9	3.7	4.3	5.4	5.3	5.1

# National Income and Product Accounts—FORECAST

	01Q3	01Q4	02Q1	02Q2	02Q3	02Q4	03Q1	03Q2	2001	2002	2003	2004	2005
<b>Composition of Economic Activity (Bil. Constant\$)</b>													
<b>Gross Domestic Product</b>	9,334.2	9,365.9	9,419.2	9,482.5	9,576.9	9,684.1	9,777.4	9,860.3	9,343.3	9,540.7	9,894.2	10,191.1	10,491.6
<b>Consumption</b>	6,444.4	6,460.0	6,493.6	6,538.9	6,598.5	6,661.0	6,718.4	6,772.2	6,430.1	6,573.0	6,795.3	6,995.7	7,192.7
Durables	936.1	931.5	932.6	936.6	944.1	945.9	943.3	938.8	932.1	939.8	937.2	933.3	937.2
Motor Vehicles	355.1	349.3	350.0	352.3	357.5	356.8	353.6	349.0	355.9	354.2	347.9	346.5	351.7
Nondurables	1,888.3	1,896.7	1,907.5	1,919.8	1,933.6	1,948.4	1,962.9	1,976.0	1,885.7	1,927.3	1,981.6	2,027.8	2,072.2
Services	3,638.9	3,650.7	3,672.4	3,701.4	3,739.7	3,785.6	3,831.1	3,876.3	3,630.7	3,724.8	3,895.4	4,053.6	4,202.3
<b>Fixed Investment</b>	1,660.2	1,645.6	1,645.9	1,654.4	1,673.3	1,701.1	1,731.6	1,755.5	1,685.5	1,668.7	1,761.6	1,818.7	1,876.7
Nonresidential	1,278.6	1,273.3	1,284.1	1,297.3	1,314.8	1,337.3	1,361.7	1,382.2	1,311.6	1,308.4	1,388.9	1,448.4	1,501.6
Structures	272.3	272.6	281.9	287.6	292.2	295.6	298.5	301.3	279.5	289.3	302.5	311.4	318.2
Equipment	1,011.2	1,005.6	1,007.1	1,014.6	1,027.5	1,046.6	1,068.1	1,085.8	1,037.1	1,024.0	1,091.3	1,141.9	1,188.3
Residential	381.7	372.4	361.9	357.2	358.6	363.9	370.0	373.4	376.3	360.4	372.8	370.4	375.2
Single Family	194.7	188.0	179.9	176.8	177.2	180.0	183.3	184.7	191.7	178.5	184.0	180.3	181.4
Multifamily	24.2	24.1	23.7	23.2	23.4	24.1	24.9	25.7	23.9	23.6	25.8	26.4	27.3
Other	162.9	160.4	158.4	157.3	158.1	159.9	161.9	163.1	160.9	158.4	163.1	163.8	166.7
<b>Inventory Change</b>	-27.5	-6.0	5.6	12.0	24.8	40.8	41.0	37.1	-24.8	20.8	36.6	33.6	34.2
NonFarm	-27.5	-5.4	6.7	13.5	25.1	38.4	37.6	35.1	-24.1	20.9	34.6	32.7	33.3
Farm	0.1	-0.5	-1.0	-1.4	-0.2	2.5	3.5	2.1	-0.6	0.0	2.1	1.0	1.0
<b>Net Exports</b>	-415.3	-421.8	-430.5	-436.7	-438.1	-437.1	-435.6	-435.2	-413.0	-435.6	-436.0	-440.8	-444.5
Exports	1,098.8	1,100.6	1,108.4	1,123.5	1,144.7	1,168.7	1,193.8	1,218.1	1,112.7	1,136.3	1,229.1	1,323.0	1,422.4
Merchandise	796.8	798.4	804.5	816.1	832.1	850.2	869.1	887.2	811.2	825.7	895.5	966.7	1,042.8
Services	302.6	302.8	304.5	308.0	313.2	319.1	325.3	331.5	302.6	311.2	334.2	356.9	380.1
Imports	1,514.1	1,522.4	1,538.9	1,560.2	1,582.8	1,605.8	1,629.4	1,653.3	1,525.8	1,571.9	1,665.1	1,763.7	1,866.8
Merchandise	1,285.2	1,291.9	1,306.5	1,325.0	1,344.4	1,364.1	1,384.1	1,404.4	1,297.4	1,335.0	1,414.5	1,498.9	1,586.1
Services	229.9	231.5	233.4	236.2	239.4	242.7	246.3	249.9	229.5	237.9	251.6	265.9	281.7
<b>Government</b>	1,633.0	1,648.7	1,665.2	1,674.5	1,679.0	1,678.9	1,682.6	1,691.3	1,627.4	1,674.4	1,697.3	1,744.6	1,793.0
Defense	364.3	370.1	374.1	375.6	375.5	372.8	371.7	373.3	364.3	374.5	374.4	382.4	389.4
Nondefense	193.1	197.1	203.2	205.3	204.5	201.9	201.2	202.0	193.5	203.7	202.9	209.5	216.2
State & Local	1,074.6	1,080.5	1,086.9	1,092.6	1,098.0	1,103.2	1,108.7	1,115.0	1,068.7	1,095.2	1,119.0	1,151.7	1,186.4
<b>Final Sales</b>	9,361.7	9,371.9	9,413.6	9,470.5	9,552.1	9,643.3	9,736.4	9,823.2	9,368.0	9,519.9	9,857.6	10,157.5	10,457.4
<b>Final Domestic Sales</b>	9,777.0	9,793.7	9,844.1	9,907.2	9,990.2	10,080.4	10,172.0	10,258.4	9,781.0	9,955.5	10,293.6	10,598.3	10,901.8
<b>Government Balance (Bil. \$)</b>													
NIPA Basis	87.5	86.1	84.1	83.4	83.1	64.5	54.8	47.1	142.1	78.8	41.5	16.0	-34.0
Unified Budget	-14.3	-42.4	-40.1	183.2	-16.5	-42.3	-7.6	130.5	114.5	84.3	49.5	17.8	-43.8
<b>Annual % Change</b>													
<b>Gross Domestic Product</b>	-0.2	1.4	2.3	2.7	4.0	4.6	3.9	3.4	1.3	2.1	3.7	3.0	2.9
<b>Consumption</b>	1.1	1.0	2.1	2.8	3.7	3.8	3.5	3.2	2.8	2.2	3.4	2.9	2.8
Durables	-1.0	-2.0	0.5	1.7	3.2	0.8	-1.1	-1.9	4.1	0.8	-0.3	-0.4	0.4
Motor Vehicles	-7.4	-6.4	0.8	2.7	6.0	-0.8	-3.5	-5.1	2.2	-0.5	-1.8	-0.4	1.5
Nondurables	1.8	1.8	2.3	2.6	2.9	3.1	3.0	2.7	1.9	2.2	2.8	2.3	2.2
Services	1.2	1.3	2.4	3.2	4.2	5.0	4.9	4.8	2.9	2.6	4.6	4.1	3.7
<b>Fixed Investment</b>	-8.2	-3.5	0.1	2.1	4.6	6.8	7.4	5.6	-1.8	-1.0	5.6	3.2	3.2
Nonresidential	-12.1	-1.6	3.4	4.2	5.5	7.0	7.5	6.2	-2.9	-0.2	6.2	4.3	3.7
Structures	-12.3	0.4	14.4	8.3	6.6	4.7	4.0	3.8	2.5	3.5	4.6	2.9	2.2
Equipment	-12.0	-2.2	0.6	3.0	5.2	7.6	8.5	6.8	-4.6	-1.3	6.6	4.6	4.1
Residential	3.9	-9.4	-10.8	-5.1	1.6	6.0	6.9	3.7	1.3	-4.2	3.4	-0.6	1.3
Single Family	3.8	-13.1	-16.2	-6.7	0.9	6.5	7.5	3.1	0.4	-6.9	3.1	-2.0	0.6
Multifamily	6.9	-1.6	-6.5	-8.2	3.5	12.5	14.0	13.5	5.2	-1.0	9.3	2.4	3.2
Other	3.5	-6.0	-4.9	-2.7	2.0	4.6	5.1	3.0	1.9	-1.5	3.0	0.4	1.8
<b>Exports</b>	-3.1	0.7	2.9	5.6	7.8	8.7	8.9	8.4	-1.8	2.1	8.2	7.6	7.5
Merchandise	-4.0	0.8	3.1	5.9	8.1	9.0	9.2	8.6	-3.0	1.8	8.5	7.9	7.9
Services	-0.5	0.3	2.3	4.7	6.9	7.8	8.0	7.8	1.1	2.9	7.4	6.8	6.5
<b>Imports</b>	-1.0	2.2	4.4	5.7	5.9	5.9	6.0	6.0	-0.4	3.0	5.9	5.9	5.8
Merchandise	-1.4	2.1	4.6	5.8	6.0	6.0	6.0	6.0	-1.4	2.9	6.0	6.0	5.8
Services	1.2	2.8	3.3	4.9	5.5	5.6	6.1	6.0	4.9	3.7	5.7	5.7	5.9
<b>Government</b>	2.1	3.9	4.1	2.3	1.1	0.0	0.9	2.1	3.5	2.9	1.4	2.8	2.8
Defense	2.2	6.5	4.4	1.6	-0.1	-2.8	-1.2	1.7	4.4	2.8	0.0	2.1	1.8
Nondefense	2.5	8.5	13.0	4.2	-1.5	-5.0	-1.4	1.6	-1.7	5.3	-0.4	3.3	3.2
State & Local	2.0	2.2	2.4	2.1	2.0	1.9	2.0	2.3	4.1	2.5	2.2	2.9	3.0
<b>Final Sales</b>	-0.6	0.4	1.8	2.4	3.5	3.9	3.9	3.6	2.1	1.6	3.5	3.0	3.0
<b>Final Domestic Sales</b>	-0.4	0.7	2.1	2.6	3.4	3.7	3.7	3.4	2.2	1.8	3.4	3.0	2.9

# Household, Corporate, and International Sectors—HISTORY

	99Q3	99Q4	00Q1	00Q2	00Q3	00Q4	01Q1	01Q2	1996	1997	1998	1999	2000
<b>Household Sector</b>													
<b>Personal Income (Bil. \$)</b>	7,818.7	7,939.3	8,104.4	8,271.1	8,381.5	8,519.6	8,640.1	8,721.3	6,547.4	6,937.0	7,426.0	7,777.3	8,319.2
<i>Annual % Change</i>	5.2	6.3	8.6	8.5	5.5	6.8	5.8	3.8	5.6	6.0	7.0	4.7	7.0
<b>Disposable Income (96\$)</b>	6,332.4	6,379.2	6,431.7	6,523.7	6,566.5	6,634.9	6,679.0	6,719.8	5,677.7	5,854.4	6,168.7	6,320.0	6,539.2
<i>Annual % Change</i>	2.1	3.0	3.3	5.8	2.6	4.2	2.7	2.5	2.5	3.1	5.4	2.5	3.5
<b>Personal Saving Rate</b>	2.1	1.4	0.8	1.3	0.8	1.0	1.1	1.2	4.8	4.2	4.7	2.4	1.0
<b>Debt Service Burden</b>	13.6	13.7	13.8	13.9	14.1	14.3	14.4	14.4	13.2	13.4	13.4	13.6	14.0
<b>Retail Sales (Bil. \$)</b>	3,176.7	3,252.0	3,356.2	3,368.4	3,407.1	3,409.8	3,453.6	3,497.6	2,638.8	2,769.4	2,907.0	3,146.5	3,385.4
<i>Annual % Change</i>	8.8	9.8	13.5	1.5	4.7	0.3	5.2	5.2	5.8	4.9	5.0	8.2	7.6
<b>Total Vehicle Sales (Mil.)</b>	17.0	17.2	18.1	17.2	17.3	16.3	16.9	16.6	15.0	15.1	15.4	16.8	17.2
Car Sales	8.8	8.9	9.4	8.9	8.8	8.3	8.6	8.4	8.5	8.3	8.1	8.7	8.9
Light Truck Sales	8.2	8.3	8.8	8.3	8.5	8.0	8.3	8.2	6.5	6.8	7.3	8.1	8.4
<b>Delinquency Rates</b>													
Consumer (by \$)	1.81	1.80	1.62	1.80	1.79	1.96	1.87	1.94	1.92	1.99	1.78	1.80	1.96
Bank Card (by \$)	4.29	4.19	3.90	3.73	3.93	4.08	4.09	4.21	5.42	5.35	4.59	4.19	4.08
Direct Auto (by \$)	1.68	1.73	1.65	1.80	1.64	1.89	1.92	1.95	1.60	1.80	1.60	1.73	1.89
Mortgage Delinquency Rate (by #)	2.63	2.47	2.34	2.42	2.55	2.85	2.77	2.89	2.78	2.83	2.88	2.62	2.54
Mortgage Foreclosure Rate (by #)	0.22	0.21	0.22	0.18	0.25	0.22	0.24	0.25	0.25	0.26	0.26	0.22	0.22
<b>Personal Bankruptcies (Ths.)</b>	1,262.1	1,266.4	1,228.9	1,203.2	1,205.5	1,233.6	1,448.2	1,502.2	1,124.9	1,349.1	1,397.4	1,281.1	1,217.8
<b>Consumer Credit Outstanding (Bil. \$)</b>													
<b>Total</b>	1,366.3	1,393.7	1,429.2	1,462.8	1,492.6	1,531.5	1,570.4	1,589.7	1,182.6	1,234.5	1,301.0	1,393.7	1,531.5
<i>Annual % Change</i>	5.4	8.3	10.6	9.8	8.4	10.8	10.6	5.0	7.9	4.4	5.4	7.1	9.9
Revolving	584.4	595.6	615.5	634.7	649.5	663.8	688.2	703.4	499.4	531.2	560.5	595.6	663.8
<i>Annual % Change</i>	4.1	7.9	14.0	13.1	9.7	9.1	15.5	9.1	12.7	6.4	5.5	6.3	11.5
Non-Revolving	781.9	798.0	813.7	828.2	843.1	867.6	882.3	886.3	683.1	703.3	740.5	798.0	867.6
<i>Annual % Change</i>	6.4	8.5	8.1	7.3	7.4	12.2	6.9	1.8	4.7	3.0	5.3	7.8	8.7
<b>Corporate Sector</b>													
<b>Industrial Production</b>	140.1	142.1	144.4	147.1	148.4	148.1	145.5	143.9	119.6	127.6	133.7	139.2	147.0
<i>Annual % Change</i>	5.9	5.8	6.6	7.7	3.6	-0.8	-6.8	-4.3	4.6	6.7	4.7	4.2	5.6
<b>Capacity Utilization</b>	80.5	80.9	81.3	81.9	81.7	80.3	77.9	76.4	81.6	82.7	81.3	80.5	81.3
<b>After-Tax Profits (Bil. \$)</b>	515.1	557.7	567.8	581.6	583.4	563.0	518.9	508.4	502.7	555.2	482.3	523.3	574.0
<i>Annual % Change</i>	3.1	37.4	7.4	10.1	1.2	-13.3	-27.8	-7.9	9.9	10.4	-13.1	8.5	9.7
<b>Cash Flow (Bil. \$)</b>	759.0	773.4	790.3	816.2	796.9	765.7	729.1	750.8	666.2	718.8	666.4	747.9	792.3
<i>Annual % Change</i>	21.1	7.8	9.0	13.8	-9.1	-14.8	-17.8	12.4	5.1	7.9	-7.3	12.2	5.9
<b>S&amp;P 500 Stock Index</b>	1,342.2	1,373.2	1,418.9	1,447.3	1,475.5	1,365.4	1,275.7	1,233.0	670.8	872.7	1,084.3	1,326.1	1,426.8
<i>Annual % Change</i>	3.8	9.6	14.0	8.2	8.0	-26.7	-23.8	-12.8	23.9	30.1	24.2	22.3	7.6
<b>Dividend Yield</b>	1.2	1.2	1.2	1.1	1.1	1.2	1.2	1.3	2.2	1.8	1.5	1.3	1.2
<b>Price/Earnings Ratio</b>	33.8	32.4	33.6	29.5	28.6	25.8	24.2	25.4	19.3	22.1	27.5	33.6	29.4
<b>International Sector</b>													
<b>Current Account (Bil. \$)</b>	-352.3	-369.9	-419.6	-432.5	-461.2	-465.3	-438.2	-380.5	-120.9	-139.8	-217.5	-324.4	-444.7
<b>Merchandise Trade</b>	-366.9	-381.7	-429.6	-446.7	-458.4	-474.1	-450.1	-443.0	-191.0	-198.1	-246.7	-345.4	-452.2
<b>FRB 10-Country Index</b>	117.1	116.0	116.9	118.9	120.3	123.6	124.3	127.1	97.4	104.4	116.5	116.9	119.9
<i>Annual % Change</i>	-1.7	-3.7	3.0	7.2	4.8	11.3	2.2	9.4	5.3	7.2	11.5	0.3	2.6
<b>Yen/\$ Exchange Rate</b>	113.1	104.4	107.0	106.7	107.7	109.9	118.1	122.6	108.8	121.1	130.8	113.0	107.8
<b>\$/Euro Exchange Rate</b>	1.05	1.04	0.99	0.93	0.90	0.87	0.92	0.87	na	na	na	1.05	0.92
<b>\$/Canadian\$</b>	0.67	0.68	0.69	0.68	0.67	0.66	0.65	0.65	0.73	0.72	0.67	0.68	0.67

# Household, Corporate, and International Sectors—FORECAST

	01Q3	01Q4	02Q1	02Q2	02Q3	02Q4	03Q1	03Q2	2001	2002	2003	2004	2005
<b>Household Sector</b>													
<b>Personal Income (Bil. \$)</b>	8,783.1	8,849.1	8,939.1	9,045.6	9,175.8	9,298.3	9,421.4	9,543.4	8,748.4	9,114.7	9,604.5	10,093.5	10,580.7
<i>Annual % Change</i>	2.9	3.0	4.1	4.8	5.9	5.4	5.4	5.3	5.2	4.2	5.4	5.1	4.8
<b>Disposable Income (96\$)</b>	6,734.2	6,756.7	6,795.8	6,845.3	6,909.2	6,962.9	7,014.6	7,064.6	6,722.4	6,878.3	7,087.5	7,274.8	7,461.4
<i>Annual % Change</i>	0.9	1.3	2.3	2.9	3.8	3.1	3.0	2.9	2.8	2.3	3.0	2.6	2.6
<b>Personal Saving Rate</b>	2.6	2.1	2.4	2.7	3.0	3.7	3.9	4.1	1.8	3.0	4.2	4.8	4.9
<b>Debt Service Burden</b>	14.4	14.3	14.3	14.2	14.1	14.1	14.1	14.0	14.4	14.2	14.0	13.9	13.9
<b>Retail Sales (Bil. \$)</b>	3,510.3	3,533.0	3,566.7	3,605.2	3,653.1	3,695.7	3,731.7	3,764.7	3,498.6	3,630.1	3,782.0	3,933.4	4,096.7
<i>Annual % Change</i>	1.5	2.6	3.9	4.4	5.4	4.7	4.0	3.6	3.3	3.8	4.2	4.0	4.2
<b>Total Vehicle Sales (Mil.)</b>	16.2	15.9	16.0	16.1	16.4	16.2	16.0	15.7	16.4	16.2	15.7	15.5	15.7
Car Sales	8.1	8.2	8.2	8.2	8.4	8.3	8.2	8.1	8.3	8.3	8.1	8.1	8.3
Light Truck Sales	8.1	7.7	7.8	7.9	8.0	7.9	7.8	7.6	8.1	7.9	7.6	7.4	7.4
<b>Delinquency Rates</b>													
Consumer (by \$)	2.13	2.28	2.34	2.39	2.28	2.19	2.09	2.01	2.28	2.19	1.89	1.85	1.87
Bank Card (by \$)	4.60	4.92	5.06	5.13	5.05	4.98	4.92	4.86	4.92	4.98	4.77	4.71	4.75
Direct Auto (by \$)	2.04	2.10	2.12	2.15	2.04	1.94	1.83	1.74	2.10	1.94	1.62	1.59	1.59
Mortgage Delinquency Rate (by #)	2.99	3.09	3.15	3.20	3.21	3.19	3.15	3.11	2.94	3.19	3.11	3.07	3.08
Mortgage Foreclosure Rate (by #)	0.26	0.26	0.27	0.27	0.28	0.28	0.28	0.28	0.25	0.28	0.28	0.28	0.27
<b>Personal Bankruptcies (Ths.)</b>	1,473.1	1,463.2	1,476.7	1,504.7	1,508.9	1,510.8	1,508.9	1,506.4	1,471.7	1,500.3	1,506.8	1,514.2	1,528.2
<b>Consumer Credit Outstanding (Bil. \$)</b>													
<b>Total</b>	1,593.6	1,598.4	1,606.2	1,616.1	1,631.1	1,647.2	1,665.0	1,679.6	1,598.4	1,647.2	1,706.2	1,764.2	1,820.1
<i>Annual % Change</i>	1.0	1.2	2.0	2.5	3.8	4.0	4.4	3.6	4.4	3.1	3.6	3.4	3.2
Revolving	703.8	705.7	709.9	716.0	724.6	734.0	744.9	755.3	705.7	734.0	773.4	814.2	853.3
<i>Annual % Change</i>	0.2	1.1	2.4	3.5	4.9	5.3	6.1	5.7	6.5	4.0	5.4	5.3	4.8
Non-Revolutionary	889.8	892.8	896.4	900.1	906.5	913.2	920.1	924.3	892.8	913.2	932.8	950.0	966.8
<i>Annual % Change</i>	1.6	1.3	1.6	1.7	2.9	3.0	3.1	1.9	2.9	2.3	2.1	1.8	1.8
<b>Corporate Sector</b>													
<b>Industrial Production</b>	142.6	142.8	144.0	144.8	146.1	147.8	149.3	150.5	143.7	145.7	151.1	155.5	159.7
<i>Annual % Change</i>	-3.6	0.6	3.4	2.2	3.6	4.7	4.1	3.3	-2.2	1.4	3.7	2.9	2.7
<b>Capacity Utilization</b>	75.4	75.3	75.6	75.7	76.7	78.4	79.7	80.3	76.3	76.6	80.3	81.0	81.3
<b>After-Tax Profits (Bil. \$)</b>	502.6	500.9	510.4	525.2	550.2	567.7	577.4	584.6	507.7	538.4	588.0	616.8	649.0
<i>Annual % Change</i>	-4.5	-1.3	7.8	12.1	20.4	13.4	7.0	5.1	-11.5	6.0	9.2	4.9	5.2
<b>Cash Flow (Bil. \$)</b>	748.5	754.6	772.0	795.6	811.0	821.9	832.0	841.8	745.8	800.1	846.5	885.7	927.3
<i>Annual % Change</i>	-1.2	3.3	9.5	12.8	8.0	5.5	5.0	4.8	-5.9	7.3	5.8	4.6	4.7
<b>S&amp;P 500 Stock Index</b>	1,155.7	1,186.3	1,352.9	1,391.2	1,386.6	1,377.4	1,367.0	1,364.0	1,212.7	1,377.0	1,374.3	1,435.5	1,523.0
<i>Annual % Change</i>	-22.8	11.0	69.1	11.8	-1.3	-2.6	-3.0	-0.9	-15.0	13.6	-0.2	4.5	6.1
<b>Dividend Yield</b>	1.2	1.1	0.8	1.1	1.1	1.1	1.1	1.1	1.2	1.0	1.1	1.1	1.1
<b>Price/Earnings Ratio</b>	26.2	26.4	27.3	27.3	26.6	26.1	25.8	25.6	25.5	26.8	25.6	25.3	25.0
<b>International Sector</b>													
<b>Current Account (Bil. \$)</b>	-386.7	-394.4	-403.9	-411.1	-413.9	-414.4	-414.5	-415.5	-400.0	-410.8	-417.1	-428.6	-438.4
<b>Merchandise Trade</b>	-448.6	-455.2	-465.0	-473.5	-479.0	-483.1	-486.8	-491.6	-449.2	-475.2	-494.8	-519.2	-541.3
<b>FRB 10-Country Index</b>	125.4	116.7	112.5	115.5	117.7	116.1	114.4	112.6	123.4	115.4	112.1	108.7	107.1
<i>Annual % Change</i>	-5.4	-24.8	-13.8	11.2	7.6	-5.1	-6.0	-6.1	2.9	-6.4	-2.9	-3.1	-1.5
<b>Yen/\$ Exchange Rate</b>	120.7	113.0	109.1	111.7	115.3	112.3	110.8	108.5	118.6	112.1	108.3	106.1	106.2
<b>\$/Euro Exchange Rate</b>	0.89	1.00	1.05	1.02	1.01	1.03	1.05	1.07	0.92	1.03	1.08	1.14	1.19
<b>\$/Canadian\$</b>	0.65	0.68	0.69	0.68	0.67	0.66	0.67	0.68	0.66	0.67	0.68	0.69	0.69



# Demographics and Labor Markets—HISTORY

	99Q3	99Q4	00Q1	00Q2	00Q3	00Q4	01Q1	01Q2	1996	1997	1998	1999	2000
<b>Labor Markets and Demographics</b>													
<b>Total Non-Farm Employment (Mil.)</b>	129.2	130.1	131.0	131.9	131.9	132.3	132.6	132.5	119.6	122.7	125.8	128.9	131.8
<i>Annual % Change</i>	2.2	2.8	2.7	2.7	0.2	1.0	0.9	-0.2	2.0	2.6	2.6	2.4	2.2
Mining	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.5	0.5
Construction	6.4	6.5	6.7	6.7	6.7	6.8	6.9	6.9	5.4	5.7	6.0	6.4	6.7
Manufacturing	18.5	18.5	18.5	18.5	18.5	18.4	18.2	17.9	18.5	18.7	18.8	18.6	18.5
Transportation	6.9	6.9	7.0	7.0	7.0	7.1	7.1	7.1	6.3	6.4	6.6	6.8	7.0
Trade	29.8	30.0	30.2	30.3	30.4	30.5	30.5	30.6	28.1	28.6	29.1	29.8	30.3
Finance	7.6	7.6	7.6	7.6	7.5	7.6	7.6	7.6	6.9	7.1	7.4	7.6	7.6
Services	39.2	39.7	40.0	40.4	40.6	40.8	41.0	41.1	34.5	36.0	37.5	39.0	40.5
Government	20.2	20.4	20.5	20.9	20.6	20.6	20.7	20.8	19.4	19.5	19.8	20.2	20.7
<b>Labor Force (Mil.)</b>	139.5	140.0	140.7	140.8	140.7	141.2	141.9	141.5	134.0	136.3	137.7	139.4	140.9
<i>Annual % Change</i>	1.1	1.4	2.1	0.2	-0.3	1.4	1.9	-1.1	1.2	1.8	1.0	1.2	1.1
<b>Population (Mil.)</b>	279.1	279.9	280.6	281.4	282.1	282.7	283.3	284.0	269.4	272.5	275.6	278.7	281.7
<i>Annual % Change</i>	1.1	1.1	1.1	1.1	0.9	0.9	0.9	0.9	1.2	1.2	1.1	1.1	1.1
<b>Households (Mil.)</b>	104.6	104.9	105.2	105.5	105.8	106.0	106.3	106.6	100.5	102.0	103.3	104.5	105.6
<i>Annual % Change</i>	1.1	1.1	1.1	1.1	1.1	1.1	1.0	1.0	1.6	1.5	1.3	1.1	1.1
<b>Unemployment Rate</b>	4.2	4.1	4.0	4.0	4.0	4.0	4.2	4.5	5.4	5.0	4.5	4.2	4.0
<b>Prices and Wages</b>													
<b>Chain - Weighted Price Index</b>	104.9	105.3	106.3	106.9	107.4	107.8	108.7	109.3	100.0	102.0	103.2	104.7	107.1
<i>Annual % Change</i>	1.4	1.8	3.7	2.1	1.9	1.8	3.3	2.2	1.9	2.0	1.2	1.4	2.3
<b>Consumer Price Index</b>	167.2	168.5	170.3	171.5	173.0	174.3	176.1	177.4	157.0	160.6	163.1	166.7	172.3
<i>Annual % Change</i>	2.8	3.2	4.2	3.0	3.5	2.9	4.2	3.1	2.9	2.3	1.5	2.2	3.4
<b>Less Food &amp; Energy</b>	177.6	178.7	179.8	181.0	182.1	183.2	184.6	185.8	165.8	169.7	173.6	177.2	181.5
<i>Annual % Change</i>	1.9	2.4	2.6	2.7	2.5	2.4	3.2	2.6	2.7	2.4	2.3	2.1	2.4
<b>Producer Price Index</b>	126.9	127.9	129.6	132.0	133.8	135.5	137.8	136.2	127.7	127.6	124.4	125.5	132.7
<i>Annual % Change</i>	7.8	3.4	5.4	7.6	5.4	5.4	6.8	-4.5	2.3	-0.1	-2.5	0.8	5.8
<b>West Texas Intermediate (\$/Bbl)</b>	21.7	24.5	28.8	28.8	31.6	32.0	28.8	27.9	22.2	20.6	14.4	19.2	30.3
<i>Annual % Change</i>	130.4	62.1	91.1	-0.7	45.7	4.6	-34.1	-12.3	20.2	-7.0	-30.2	33.7	57.5
<b>Compensation Per Hour</b>	125.1	126.4	128.4	130.7	133.0	135.9	137.6	139.1	109.8	113.1	119.2	124.4	132.0
<i>Annual % Change</i>	4.9	4.2	6.5	7.4	7.2	9.0	5.1	4.4	3.1	3.0	5.4	4.4	6.2
<b>Output Per Hour</b>	112.7	114.7	114.5	116.3	116.7	117.4	117.4	118.1	105.4	107.5	110.3	112.9	116.2
<i>Annual % Change</i>	2.9	7.3	-0.7	6.4	1.4	2.4	0.0	2.4	2.5	2.0	2.6	2.3	3.0
<b>Unit Labor Costs</b>	111.1	110.2	112.1	112.4	114.0	115.8	117.2	117.8	104.2	105.1	108.0	110.2	113.6
<i>Annual % Change</i>	2.2	-3.2	7.1	1.1	5.8	6.5	4.9	2.1	0.5	0.9	2.7	2.0	3.1
<b>Monetary Aggregates (Bil. \$, SA)</b>													
<b>M1</b>	1,093.4	1,124.8	1,113.7	1,105.3	1,096.0	1,088.2	1,113.1	1,123.6	1,080.5	1,073.4	1,097.0	1,124.8	1,088.2
<i>Annual % Change</i>	-2.3	12.0	-3.9	-3.0	-3.3	-2.8	9.5	3.8	-4.0	-0.6	2.3	2.7	-3.3
<b>M2</b>	4,578.4	4,653.3	4,721.5	4,787.8	4,870.0	4,945.1	5,101.1	5,209.0	3,814.8	4,031.9	4,385.9	4,653.3	4,945.1
<i>Annual % Change</i>	5.5	6.7	6.0	5.7	7.0	6.3	13.2	8.7	4.8	5.7	8.8	6.1	6.3
<b>M3</b>	6,306.3	6,530.9	6,677.1	6,811.6	6,974.9	7,111.5	7,326.8	7,606.6	4,971.3	5,430.8	6,030.8	6,530.9	7,111.5
<i>Annual % Change</i>	5.1	15.0	9.3	8.3	9.9	8.1	12.7	16.2	7.5	9.3	11.1	8.4	8.9
<b>Commercial Banks Loans and Liabilities (Bil. \$, SA)</b>													
<b>Total Liabilities</b>	3,077.6	3,170.3	3,210.7	3,273.5	3,340.0	3,398.2	3,430.4	3,516.1	2,550.7	2,726.9	2,940.9	3,082.0	3,305.6
<i>Annual % Change</i>	3.5	12.6	5.2	8.1	8.4	7.2	3.8	10.4	6.5	7.5	7.6	5.2	7.2
Demand Deposits	350.0	356.1	344.9	333.5	323.2	311.3	316.5	310.8	402.3	395.4	379.4	356.1	311.3
Other Checkables	240.5	243.7	244.7	242.0	239.2	239.0	248.9	256.0	276.0	245.7	250.1	243.7	239.0
Saving Deposits	1,285.7	1,287.0	1,306.5	1,331.4	1,383.6	1,421.7	1,491.7	1,564.2	904.3	1,021.1	1,185.8	1,287.0	1,421.7
Small Time Deposits	621.6	635.2	652.3	676.0	689.2	699.6	695.9	678.9	593.4	625.5	626.4	635.2	699.6
Large Time Deposits	579.8	648.3	662.3	690.6	704.8	726.6	677.4	706.2	433.6	517.4	575.2	648.3	726.6
<b>Total Loans</b>	2,860.3	2,969.8	3,073.1	3,177.5	3,251.6	3,286.5	3,330.1	3,331.5	2,385.5	2,547.8	2,703.9	2,862.6	3,197.2
<i>Annual % Change</i>	5.9	16.2	14.7	14.3	9.7	4.4	5.4	0.2	5.9	6.7	6.9	6.8	10.7
Commercial Loans	975.5	1,003.0	1,033.2	1,064.0	1,080.5	1,088.7	1,103.2	1,079.2	787.4	855.4	949.5	1,003.0	1,088.7
Real Estate Loans	1,403.6	1,475.5	1,534.0	1,594.2	1,637.1	1,655.3	1,681.1	1,700.8	1,141.4	1,246.9	1,337.6	1,475.5	1,655.3
Home Equity Loans	99.5	101.5	109.0	115.4	121.8	129.7	135.9	140.0	90.6	104.7	103.8	101.5	129.7
Loans to Individuals	481.2	491.3	505.9	519.3	534.0	542.5	545.8	551.5	512.0	501.8	496.8	491.3	542.5

# Demographics and Labor Markets—FORECAST

	01Q3	01Q4	02Q1	02Q2	02Q3	02Q4	03Q1	03Q2	2001	2002	2003	2004	2005
<b>Labor Markets and Demographics</b>													
<b>Total Non-Farm Employment (Mil.)</b>	132.3	132.2	132.5	132.8	133.3	133.9	134.7	135.4	132.4	133.1	135.6	137.5	139.2
<i>Annual % Change</i>	-0.7	-0.1	0.7	1.1	1.4	1.9	2.3	2.1	0.5	0.6	1.9	1.4	1.2
Mining	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5
Construction	6.9	6.9	6.9	7.0	6.9	6.9	6.9	7.0	6.9	6.9	7.0	7.0	7.0
Manufacturing	17.7	17.6	17.5	17.5	17.6	17.6	17.7	17.7	17.8	17.6	17.7	17.7	17.6
Transportation	7.1	7.1	7.1	7.1	7.1	7.2	7.2	7.3	7.1	7.1	7.3	7.3	7.4
Trade	30.6	30.6	30.7	30.8	30.9	31.0	31.2	31.3	30.6	30.8	31.4	31.8	32.3
Finance	7.6	7.6	7.6	7.6	7.6	7.6	7.7	7.7	7.6	7.6	7.7	7.8	7.9
Services	41.0	41.0	41.1	41.3	41.5	41.9	42.3	42.7	41.0	41.4	42.8	43.9	45.0
Government	20.9	20.9	21.0	21.0	21.1	21.1	21.2	21.2	20.8	21.1	21.2	21.4	21.5
<b>Labor Force (Mil.)</b>	141.5	141.9	142.3	142.7	143.1	143.6	144.0	144.5	141.7	142.9	144.7	146.3	147.9
<i>Annual % Change</i>	0.2	1.0	1.1	1.2	1.2	1.2	1.3	1.2	0.6	0.9	1.2	1.1	1.1
<b>Population (Mil.)</b>	284.6	285.3	285.9	286.5	287.2	287.8	288.4	289.1	284.3	286.9	289.4	291.9	294.4
<i>Annual % Change</i>	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
<b>Households (Mil.)</b>	106.9	107.1	107.4	107.7	108.0	108.3	108.5	108.8	106.7	107.8	108.9	110.1	111.2
<i>Annual % Change</i>	1.1	1.0	1.0	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<b>Unemployment Rate</b>	4.7	5.0	5.2	5.4	5.5	5.4	5.3	5.2	4.6	5.4	5.2	5.1	5.1
<b>Prices and Wages</b>													
<b>Chain - Weighted Price Index</b>	109.8	110.3	110.8	111.3	111.9	112.5	113.2	113.9	109.5	111.6	114.3	117.1	119.7
<i>Annual % Change</i>	1.9	1.8	1.8	1.8	2.2	2.2	2.5	2.5	2.3	1.9	2.4	2.5	2.2
<b>Consumer Price Index</b>	177.6	178.5	179.4	180.2	181.2	182.2	183.2	184.3	177.4	180.7	184.9	189.4	194.0
<i>Annual % Change</i>	0.5	2.0	2.0	1.9	2.2	2.3	2.3	2.4	3.0	1.9	2.3	2.5	2.4
<b>Less Food &amp; Energy</b>	186.9	188.0	188.9	189.9	190.9	192.0	193.1	194.4	186.3	190.4	195.1	200.2	205.3
<i>Annual % Change</i>	2.4	2.2	2.1	2.0	2.2	2.3	2.4	2.6	2.6	2.2	2.4	2.7	2.5
<b>Producer Price Index</b>	133.5	133.4	134.1	135.0	137.3	140.7	143.5	144.9	135.2	136.8	145.2	148.3	152.0
<i>Annual % Change</i>	-7.6	-0.5	2.1	2.7	7.1	10.4	8.0	4.2	1.9	1.1	6.1	2.2	2.5
<b>West Texas Intermediate (\$/Bbl)</b>	27.4	27.1	26.5	26.8	27.6	27.9	27.3	26.3	27.8	27.2	26.1	24.6	24.8
<i>Annual % Change</i>	-6.8	-4.3	-8.6	4.6	12.5	4.4	-8.3	-13.9	-8.3	-2.2	-4.2	-5.8	0.9
<b>Compensation Per Hour</b>	140.6	142.0	143.4	144.7	146.1	147.5	148.9	150.4	139.8	145.4	151.2	157.0	162.6
<i>Annual % Change</i>	4.4	4.1	3.9	3.7	3.8	3.9	4.0	4.1	5.9	4.0	4.0	3.9	3.6
<b>Output Per Hour</b>	118.2	118.7	119.2	119.6	120.4	121.2	121.7	122.1	118.1	120.1	122.3	124.2	126.4
<i>Annual % Change</i>	0.5	1.5	1.6	1.6	2.6	2.7	1.6	1.3	1.6	1.7	1.8	1.6	1.7
<b>Unit Labor Costs</b>	118.9	119.7	120.4	121.0	121.4	121.7	122.5	123.3	118.4	121.1	123.7	126.5	128.9
<i>Annual % Change</i>	3.9	2.6	2.3	2.1	1.2	1.2	2.4	2.8	4.3	2.3	2.2	2.3	1.9
<b>Monetary Aggregates (Bil. \$, SA)</b>													
<b>M1</b>	1,164.5	1,205.5	1,195.1	1,182.1	1,159.9	1,145.5	1,141.8	1,142.2	1,205.5	1,145.5	1,148.5	1,209.6	1,284.9
<i>Annual % Change</i>	15.4	14.8	-3.4	-4.3	-7.3	-4.9	-1.3	0.1	10.9	-5.0	0.3	5.3	6.2
<b>M2</b>	5,320.8	5,435.9	5,442.6	5,448.2	5,439.1	5,443.9	5,472.9	5,510.7	5,435.9	5,443.9	5,599.4	5,884.6	6,202.8
<i>Annual % Change</i>	8.9	8.9	0.5	0.4	-0.7	0.4	2.1	2.8	9.9	0.1	2.9	5.1	5.4
<b>M3</b>	7,698.1	7,856.4	7,858.8	7,871.9	7,872.4	7,892.6	7,945.9	8,009.5	7,856.4	7,892.6	8,139.7	8,553.0	9,013.7
<i>Annual % Change</i>	4.9	8.5	0.1	0.7	0.0	1.0	2.7	3.2	10.6	0.5	3.1	5.1	5.4
<b>Commercial Banks Loans and Liabilities (Bil. \$, SA)</b>													
<b>Total Liabilities</b>	3,527.5	3,589.5	3,594.2	3,608.8	3,623.4	3,644.6	3,677.6	3,713.5	3,515.9	3,617.7	3,726.5	3,901.1	4,106.1
<i>Annual % Change</i>	1.3	7.2	0.5	1.6	1.6	2.4	3.7	4.0	5.7	1.5	3.7	5.0	5.3
Demand Deposits	322.8	328.3	327.4	326.5	325.6	326.4	328.6	331.3	328.3	326.4	337.5	356.3	377.1
Other Checkables	264.6	279.8	275.5	269.8	259.5	251.5	247.4	244.9	279.8	251.5	241.9	253.9	271.1
Saving Deposits	1,576.9	1,608.6	1,617.9	1,628.2	1,636.2	1,646.1	1,661.4	1,678.6	1,608.6	1,646.1	1,715.9	1,814.4	1,920.6
Small Time Deposits	697.6	699.2	704.6	711.0	719.3	726.9	734.1	741.0	699.2	726.9	754.6	779.3	803.6
Large Time Deposits	665.6	673.5	668.7	673.3	682.8	693.7	706.2	717.8	673.5	693.7	730.4	766.6	806.6
<b>Total Loans</b>	3,360.2	3,405.3	3,418.2	3,443.2	3,478.8	3,521.3	3,569.7	3,615.8	3,356.8	3,465.4	3,625.3	3,762.9	3,921.1
<i>Annual % Change</i>	3.5	5.5	1.5	3.0	4.2	5.0	5.6	5.3	3.6	3.4	4.4	3.8	4.4
Commercial Loans	1,081.2	1,093.2	1,086.0	1,092.8	1,107.2	1,123.8	1,142.7	1,160.3	1,093.2	1,123.8	1,179.3	1,234.2	1,294.9
Real Estate Loans	1,725.7	1,754.7	1,773.1	1,789.1	1,807.1	1,829.5	1,855.1	1,880.5	1,754.7	1,829.5	1,914.5	1,986.2	2,083.1
Home Equity Loans	144.4	146.3	148.1	149.4	150.7	152.1	153.7	155.3	146.3	152.1	158.3	165.0	172.1
Loans to Individuals	553.3	557.3	559.1	561.2	564.5	568.0	571.9	575.0	557.3	568.0	580.7	593.1	604.9

# Real Estate Markets—HISTORY

	99Q3	99Q4	00Q1	00Q2	00Q3	00Q4	01Q1	01Q2	1996	1997	1998	1999	2000
<b>Housing and Mortgage Market</b>													
<b>Housing Starts (Mil.)</b>	1.65	1.66	1.67	1.59	1.51	1.54	1.63	1.62	1.47	1.47	1.62	1.65	1.57
<i>Annual % Change</i>	21.1	1.0	3.2	-18.3	-18.9	9.3	24.9	-1.5	7.9	0.4	9.9	1.6	-4.4
Single Family	1.29	1.34	1.29	1.23	1.19	1.22	1.28	1.29	1.15	1.14	1.28	1.31	1.23
<i>Annual % Change</i>	6.5	16.1	-13.6	-15.5	-13.2	10.5	19.6	3.5	6.7	-1.6	12.4	2.2	-5.6
Multifamily	0.36	0.32	0.38	0.35	0.32	0.32	0.35	0.33	0.31	0.34	0.34	0.34	0.34
<i>Annual % Change</i>	95.1	-41.0	103.5	-27.1	-35.9	3.9	46.7	-18.1	12.6	7.7	1.5	-0.8	0.2
<b>Existing Home Sales (Mil.)</b>	5.26	5.08	5.20	5.12	5.07	5.10	5.27	5.30	4.19	4.38	4.96	5.19	5.12
<i>Annual % Change</i>	-0.5	-13.0	9.3	-6.0	-3.4	2.4	14.0	2.3	8.1	4.4	13.4	4.6	-1.4
<b>New Home Sales (Ths.)</b>	873.0	869.3	884.0	829.7	874.0	935.0	950.0	895.3	755.8	806.3	889.4	878.5	880.7
<i>Annual % Change</i>	-15.2	-1.7	6.9	-22.4	23.1	31.0	6.6	-21.1	12.9	6.7	10.3	-1.2	0.2
<b>House Prices (Ths. \$)</b>													
Existing Homes, Median	133.2	134.5	136.2	137.0	139.8	140.7	142.3	145.7	115.5	121.4	127.9	133.0	138.4
<i>% Change Year Ago</i>	3.9	3.5	3.5	3.4	4.9	4.6	4.5	6.4	5.2	5.1	5.4	3.9	4.1
New Homes, Median	159.3	166.7	161.8	163.1	169.6	171.7	166.9	174.7	139.8	145.1	152.0	159.9	166.6
<i>% Change Year Ago</i>	3.4	8.8	4.3	3.0	6.4	3.0	3.2	7.1	4.8	3.8	4.8	5.2	4.2
FLMC/FNMA Repeat Purchase Index (87Q1 = 100)	164.3	167.0	170.1	174.2	178.1	181.9	185.1	189.5	140.3	145.8	154.0	162.9	176.1
<i>Annual % Change</i>	7.2	6.7	7.6	10.2	9.2	8.6	7.2	9.9	3.9	3.9	5.6	5.8	8.1
<b>Affordability Index</b>	131.1	134.3	130.8	126.6	125.0	133.5	142.8	138.4	131.3	131.3	138.6	136.7	129.0
<b>Mortgage Originations (Bil. \$)</b>	1,039.5	1,045.6	1,010.9	942.6	1,004.5	1,210.9	2,004.2	1,665.0	786.1	857.0	1,529.0	1,201.0	1,042.2
<i>Annual % Change</i>	-42.8	2.4	-12.6	-24.4	29.0	111.2	650.4	-52.4	23.5	9.0	78.4	-21.5	-13.2
Purchase Originations	801.7	791.9	813.0	790.1	805.6	822.3	830.2	856.4	557.1	585.3	727.3	789.3	807.8
Refi Originations	237.8	253.7	197.9	152.5	199.0	388.6	1,174.1	808.6	229.0	271.7	801.7	411.7	234.5
Refi Share	22.6	24.3	19.6	16.1	19.5	31.6	58.0	48.2	29.0	30.7	52.5	32.4	21.7
<b>ARM Share</b>	28.0	29.7	31.3	29.7	21.3	16.0	11.3	11.3	26.6	22.1	12.1	21.7	24.6
<b>Rental Vacancy Rate</b>	8.1	8.0	8.0	7.9	8.0	7.9	8.3	8.2	7.8	7.7	7.9	8.1	8.0
<b>Mortgage Rates, Primary Market (FHLMC)</b>													
<b>Fixed</b>	7.80	7.83	8.26	8.32	8.03	7.64	7.01	7.13	7.81	7.60	6.95	7.43	8.06
<b>Adjustable</b>	6.12	6.39	6.68	7.03	7.28	7.18	6.48	5.93	5.67	5.61	5.58	5.98	7.04
<b>FHFB Composite Rate</b>	7.52	7.58	7.94	8.10	8.01	7.75	7.20	7.14	7.72	7.69	7.10	7.28	7.95
Fixed	7.85	7.98	8.32	8.47	8.29	7.95	7.28	7.23	8.00	7.92	7.19	7.53	8.26
Adjustable	6.69	6.62	7.20	7.20	6.98	6.73	6.61	6.49	7.03	6.89	6.44	6.49	7.03
<b>Adjustable Rates:</b>													
11th District Cost of Funds	4.56	4.76	4.96	5.21	5.50	5.60	5.38	4.73	4.86	4.87	4.86	4.59	5.32
National Cost of Funds	4.47	4.56	4.66	4.81	5.03	5.18	5.16	4.90	4.88	4.92	4.87	4.53	4.92
National Contract Rate	7.47	7.56	7.92	8.08	7.99	7.71	7.12	7.06	7.56	7.52	6.97	7.22	7.93
<b>Current Coupon GNMA</b>	7.41	7.49	7.86	7.80	7.49	7.12	6.53	6.91	7.48	7.26	6.43	7.03	7.57
<b>Commercial Real Estate Market</b>													
<b>Nonres Put in Place (Bil. 96\$)</b>	170.4	169.1	175.0	178.9	181.3	182.8	187.1	175.3	155.5	167.7	177.7	173.8	179.5
<i>Annual % Change</i>	-9.2	-3.1	14.7	9.2	5.5	3.5	9.7	-23.0	10.1	7.8	6.0	-2.2	3.3
Office	43.0	41.9	42.7	46.6	49.0	51.5	50.7	45.8	27.7	33.1	39.3	42.6	47.4
<i>Annual % Change</i>	7.7	-9.9	8.4	41.9	21.9	21.8	-5.6	-33.8	5.9	19.1	19.0	8.3	11.5
Industrial	28.6	25.9	26.0	28.4	27.8	27.3	29.1	27.4	38.1	36.3	37.8	29.4	27.4
<i>Annual % Change</i>	-13.3	-33.3	1.6	42.0	-7.5	-7.5	29.2	-21.7	5.0	-4.9	4.2	-22.3	-6.8
Commercial	49.8	51.5	54.0	52.0	52.2	52.1	55.1	52.2	48.1	50.0	49.9	50.9	52.6
<i>Annual % Change</i>	-12.1	14.6	21.2	-13.9	1.5	-0.9	24.8	-19.5	10.2	4.0	-0.3	2.0	3.3
<b>Office Employment (Mil.)</b>	22.0	22.2	22.3	22.4	22.5	22.6	22.7	22.8	19.6	20.4	21.2	22.0	22.5
<i>Annual % Change</i>	2.8	3.1	2.4	1.8	1.6	2.0	1.8	0.7	3.1	4.0	4.1	3.4	2.4
<b>Industrial Employment (Mil.)</b>	25.5	25.5	25.5	25.5	25.5	25.4	25.3	24.9	25.0	25.3	25.6	25.5	25.5
<i>Annual % Change</i>	0.0	0.0	0.5	0.5	0.1	-1.2	-3.0	-5.1	0.3	1.4	1.1	-0.5	0.1
<b>Commercial Employment (Mil.)</b>	22.9	23.1	23.2	23.3	23.3	23.4	23.4	23.5	21.6	22.0	22.3	22.9	23.3
<i>Annual % Change</i>	2.0	2.9	2.3	1.5	1.0	0.9	0.9	1.7	1.9	1.7	1.5	2.5	2.0
<b>Office Vacancy Rate</b>	9.5	9.1	8.6	7.9	7.7	7.8	9.0	9.5	13.0	10.8	9.1	9.5	8.0

# Real Estate Markets—FORECAST

	01Q3	01Q4	02Q1	02Q2	02Q3	02Q4	03Q1	03Q2	2001	2002	2003	2004	2005
<b>Housing and Mortgage Market</b>													
<b>Housing Starts (Mil.)</b>	1.62	1.51	1.47	1.47	1.50	1.54	1.57	1.57	1.59	1.50	1.56	1.51	1.50
<i>Annual % Change</i>	-0.2	-24.5	-10.2	0.0	8.4	11.1	8.0	0.0	1.3	-6.2	4.3	-3.5	-0.2
Single Family	1.27	1.19	1.17	1.16	1.17	1.19	1.20	1.19	1.26	1.17	1.19	1.14	1.13
<i>Annual % Change</i>	-5.5	-22.9	-6.6	-3.4	3.5	7.0	3.4	-3.3	1.9	-6.7	1.1	-4.0	-0.7
Multifamily	0.35	0.32	0.30	0.31	0.33	0.35	0.37	0.38	0.34	0.32	0.38	0.37	0.37
<i>Annual % Change</i>	22.0	-30.1	-22.8	14.0	28.4	26.5	24.9	11.3	-1.0	-4.7	16.3	-2.0	1.4
<b>Existing Home Sales (Mil.)</b>	5.10	4.94	4.90	4.98	5.05	5.12	5.06	4.98	5.15	5.01	4.92	4.48	4.16
<i>Annual % Change</i>	-14.5	-12.0	-3.2	6.7	5.7	5.7	-4.6	-6.2	0.6	-2.7	-1.9	-8.9	-7.1
<b>New Home Sales (Ths.)</b>	915.4	890.5	886.2	895.6	900.6	912.5	920.1	896.7	912.8	898.7	894.4	843.7	798.1
<i>Annual % Change</i>	9.3	-10.4	-1.9	4.3	2.3	5.4	3.4	-9.8	3.6	-1.5	-0.5	-5.7	-5.4
<b>House Prices (Ths. \$)</b>													
Existing Homes, Median	146.3	147.0	147.9	149.2	150.7	152.3	154.0	155.7	145.3	150.0	156.5	163.1	170.1
<i>% Change Year Ago</i>	4.7	4.4	3.9	2.4	3.0	3.6	4.1	4.4	5.0	3.2	4.3	4.2	4.3
New Homes, Median	177.5	178.6	179.8	181.4	183.2	185.1	187.1	189.2	174.4	182.4	190.2	198.2	206.2
<i>% Change Year Ago</i>	4.6	4.0	7.7	3.8	3.2	3.6	4.1	4.3	4.7	4.6	4.3	4.2	4.1
FLMC/FNMA Repeat Purchase Index (87Q1 = 100)	190.3	191.2	192.3	194.0	196.0	198.0	200.3	202.5	189.0	195.1	203.6	212.2	221.2
<i>Annual % Change</i>	1.8	1.8	2.5	3.6	4.1	4.2	4.7	4.5	7.3	3.2	4.3	4.2	4.3
<b>Affordability Index</b>	139.0	144.6	140.2	138.6	135.5	132.5	130.3	127.7	141.2	136.7	124.6	118.6	121.1
<b>Mortgage Originations (Bil. \$)</b>	1,459.9	1,404.2	1,313.0	1,190.6	1,047.2	1,066.1	1,071.9	1,068.2	1,633.3	1,154.2	1,070.0	1,043.2	1,023.0
<i>Annual % Change</i>	-40.9	-14.4	-23.6	-32.4	-40.2	7.4	2.2	-1.4	56.7	-29.3	-7.3	-2.5	-1.9
Purchase Originations	838.4	816.6	816.7	840.0	862.5	887.0	891.4	886.1	835.4	851.5	886.8	853.3	826.4
Refi Originations	621.5	587.6	496.3	350.6	184.7	179.1	180.5	182.0	798.0	302.7	183.2	189.9	196.6
Refi Share	42.6	41.8	37.8	29.4	17.6	16.8	16.8	17.0	47.7	25.4	17.1	18.2	19.2
<b>ARM Share</b>	14.3	15.0	19.3	23.7	25.0	25.0	25.0	23.7	13.0	23.3	24.4	22.5	20.0
<b>Rental Vacancy Rate</b>	8.3	8.5	8.5	8.4	8.2	8.0	8.0	8.1	8.3	8.3	8.2	8.4	8.5
<b>Mortgage Rates, Primary Market (FHLMC)</b>													
<b>Fixed</b>	6.94	6.87	7.13	7.28	7.38	7.45	7.46	7.46	6.99	7.31	7.59	7.70	7.38
<b>Adjustable</b>	5.46	4.64	4.76	4.86	5.10	5.29	5.52	5.72	5.63	5.00	5.83	6.00	5.77
<b>FHFB Composite Rate</b>	6.76	6.37	6.57	6.65	6.81	6.97	7.07	7.21	6.87	6.75	7.39	7.73	7.51
Fixed	6.91	6.62	6.93	7.13	7.26	7.33	7.34	7.39	7.01	7.16	7.61	7.94	7.70
Adjustable	5.89	5.01	5.09	5.12	5.45	5.87	6.28	6.62	6.00	5.38	6.71	7.00	6.77
<b>Adjustable Rates:</b>													
11th District Cost of Funds	4.36	4.25	4.10	4.01	4.24	4.47	4.73	4.97	4.68	4.20	5.11	5.56	5.56
National Cost of Funds	4.12	4.06	3.98	3.94	4.23	4.52	4.79	5.03	4.56	4.17	5.17	5.62	5.62
National Contract Rate	6.58	6.55	6.50	6.49	6.81	7.13	7.43	7.70	6.83	6.73	7.85	8.40	8.40
<b>Current Coupon GNMA</b>	6.47	6.27	6.33	6.43	6.47	6.50	6.48	6.50	6.55	6.43	6.71	7.01	6.77
<b>Commercial Real Estate Market</b>													
<b>Nonres Put in Place (Bil. 96\$)</b>	169.6	169.8	175.5	179.1	182.0	184.1	185.9	187.7	175.4	180.2	188.4	193.9	198.2
<i>Annual % Change</i>	-12.3	0.4	14.3	8.4	6.5	4.8	4.0	3.8	-2.3	2.7	4.6	2.9	2.2
Office	46.2	46.6	47.2	47.9	48.7	49.3	49.7	50.0	47.3	48.2	50.1	51.2	52.1
<i>Annual % Change</i>	3.9	3.5	5.1	6.2	6.5	5.1	3.2	2.9	-0.3	2.0	3.9	2.1	1.7
Industrial	27.4	27.5	27.6	27.8	28.0	28.2	28.4	28.6	27.8	27.9	28.6	29.2	29.8
<i>Annual % Change</i>	0.2	1.5	2.0	3.0	3.3	2.9	2.4	2.2	1.7	0.4	2.6	2.2	2.0
Commercial	52.3	52.6	53.0	53.5	54.2	54.7	55.1	55.5	53.0	53.9	55.6	56.8	57.8
<i>Annual % Change</i>	0.9	2.6	3.1	4.1	4.9	3.8	3.2	2.5	0.8	1.6	3.3	2.0	1.9
<b>Office Employment (Mil.)</b>	22.7	22.7	22.7	22.8	22.9	23.1	23.3	23.5	22.7	22.9	23.5	24.0	24.5
<i>Annual % Change</i>	-0.7	-0.3	0.7	1.2	2.0	2.7	3.4	3.0	1.1	0.7	2.7	2.1	1.9
<b>Industrial Employment (Mil.)</b>	24.7	24.6	24.6	24.6	24.6	24.7	24.8	24.9	24.9	24.6	24.9	24.9	25.0
<i>Annual % Change</i>	-3.8	-1.6	-0.3	0.4	0.9	1.3	1.3	1.1	-2.5	-1.0	1.0	0.3	0.1
<b>Commercial Employment (Mil.)</b>	23.6	23.6	23.6	23.7	23.8	23.9	24.0	24.2	23.5	23.8	24.2	24.6	24.9
<i>Annual % Change</i>	0.3	0.4	0.9	1.3	1.5	1.9	2.1	1.9	1.0	1.0	1.8	1.5	1.4
<b>Office Vacancy Rate</b>	10.0	10.1	10.2	10.2	10.2	10.0	9.8	9.8	9.7	10.1	9.9	10.0	10.0

# Money Market—MONTHLY HISTORY

	Jan01	Feb01	Mar01	Apr01	May01	Jun01	Jul01	Aug01	1996	1997	1998	1999	2000
<b>Money Market Rates</b>													
Federal Funds	5.98	5.49	5.31	4.80	4.21	3.97	3.77	3.65	5.30	5.46	5.35	4.97	6.24
Prime Rate	9.05	8.50	8.32	7.80	7.24	6.98	6.75	6.65	8.27	8.44	8.35	7.99	9.23
Discount Rate	5.52	5.00	4.81	4.28	3.73	3.47	3.25	3.15	5.02	5.00	4.92	4.62	5.73
91-Day CD	5.62	5.26	4.89	4.53	4.02	3.74	3.66	3.62	5.39	5.62	5.47	5.33	6.46
91-Day CP	5.49	5.14	4.78	4.44	3.93	3.67	3.59	3.55	5.41	5.57	5.34	5.18	6.31
91-Day CP EBY	5.64	5.28	4.91	4.55	4.02	3.76	3.67	3.63	5.56	5.73	5.49	5.32	6.50
91-Day Eurodollar	5.62	5.26	4.89	4.55	4.01	3.73	3.66	3.60	5.38	5.61	5.45	5.30	6.45
1-Month LIBOR	5.84	5.52	5.13	4.83	4.16	3.91	3.82	3.71	5.44	5.64	5.58	5.25	6.42
3-Month LIBOR	5.67	5.35	4.96	4.63	4.10	3.83	3.75	3.70	5.51	5.76	5.57	5.41	6.53
6-Month LIBOR	5.50	5.20	4.81	4.49	4.09	3.83	3.79	3.74	5.59	5.86	5.56	5.53	6.65
12-Month LIBOR	5.39	5.15	4.77	4.51	4.29	4.05	4.00	3.86	5.78	6.08	5.57	5.71	6.86
<b>Treasury Bill Rates</b>													
91-Day T-Bill	5.15	4.88	4.42	3.87	3.62	3.49	3.51	3.36	5.01	5.06	4.78	4.64	5.82
182-Day T-Bill	4.95	4.71	4.28	3.85	3.62	3.45	3.45	3.29	5.08	5.18	4.83	4.75	5.90
365-Day T-Bill	4.63	4.51	4.11	3.80	3.60	3.37	3.39	3.24	5.21	5.32	4.80	4.81	5.78
<b>Treasury Yield Curve</b>													
91-Day T-Bill, EBY	5.29	5.01	4.53	3.96	3.70	3.57	3.59	3.44	5.14	5.20	4.90	4.76	5.99
182-Day T-Bill, EBY	5.15	4.89	4.43	3.98	3.74	3.56	3.56	3.39	5.29	5.39	5.02	4.93	6.16
365-Day T-Bill, EBY	4.87	4.74	4.30	3.97	3.75	3.51	3.53	3.37	5.50	5.63	5.06	5.06	6.13
Treasury: 1-Year	4.81	4.68	4.30	3.98	3.78	3.58	3.62	3.47	5.51	5.63	5.05	5.08	6.11
Treasury: 2-Year	4.76	4.66	4.34	4.23	4.26	4.08	4.04	3.76	5.84	5.99	5.13	5.43	6.26
Treasury: 3-Year	4.77	4.71	4.43	4.42	4.51	4.35	4.31	4.04	5.99	6.10	5.14	5.49	6.22
Treasury: 5-Year	4.86	4.89	4.64	4.76	4.93	4.81	4.76	4.57	6.18	6.22	5.15	5.54	6.15
Treasury: 7-Year	5.13	5.10	4.88	5.03	5.24	5.14	5.06	4.84	6.34	6.32	5.28	5.78	6.20
Treasury: 10-Year	5.16	5.10	4.89	5.14	5.39	5.28	5.24	4.97	6.44	6.35	5.26	5.64	6.03
Treasury: 30-Year	5.54	5.45	5.34	5.65	5.78	5.67	5.61	5.35	6.70	6.61	5.58	5.87	5.94
<b>Treasury Spreads</b>													
Treasury: 30 - 10-Year	0.38	0.35	0.45	0.51	0.39	0.39	0.37	0.38	0.26	0.25	0.31	0.23	-0.09
Treasury: 30Y - 91D	0.25	0.44	0.81	1.69	2.08	2.10	2.02	1.91	1.56	1.41	0.68	1.11	-0.04
Treasury: 30Y - Fed Funds	-0.44	-0.04	0.03	0.85	1.57	1.70	1.84	1.70	1.40	1.15	0.23	0.90	-0.29
Treasury: 30 - 2-Year	0.78	0.79	1.00	1.42	1.52	1.59	1.57	1.59	0.86	0.62	0.45	0.44	-0.31
<b>Corporate Rates (Moody's, Seasoned)</b>													
Corporate: Aaa	7.15	7.10	6.98	7.20	7.29	7.18	7.13	6.80	7.37	7.26	6.53	7.04	7.62
Corporate: Aa	7.38	7.32	7.22	7.43	7.50	7.34	7.27	6.93	7.55	7.47	6.80	7.35	7.83
Corporate: A	7.75	7.69	7.61	7.82	7.88	7.73	7.65	7.04	7.68	7.53	6.93	7.52	8.11
Corporate: Baa	7.93	7.87	7.84	8.07	8.07	7.97	7.97	7.20	8.05	7.86	7.22	7.87	8.36
Utility: Aaa	7.53	7.46	7.31	7.53	7.61	7.50	7.46	6.98	7.48	7.43	6.77	7.21	7.88
Utility: Aa	7.73	7.62	7.51	7.72	7.79	7.62	7.55	7.09	7.57	7.54	6.91	7.51	8.06
Utility: A	7.80	7.74	7.68	7.94	7.99	7.85	7.78	7.18	7.75	7.60	7.04	7.62	8.24
Utility: Baa	7.99	7.94	7.85	8.06	8.11	8.02	8.05	7.29	8.16	7.95	7.26	7.88	8.36
<b>Corporate Spreads</b>													
Aa Corp. - 10Y Treasury	2.22	2.22	2.33	2.29	2.11	2.06	2.03	1.97	1.11	1.12	1.54	1.71	1.80
Baa Corp. - 10Y Treasury	2.77	2.77	2.95	2.93	2.68	2.69	2.73	2.23	1.62	1.51	1.96	2.23	2.34
Corp.: Baa - Aa	0.55	0.55	0.62	0.64	0.57	0.63	0.70	0.26	0.51	0.39	0.42	0.52	0.54

# Money Market—MONTHLY FORECAST

	Sep01	Oct01	Nov01	Dec01	Jan02	Feb02	Mar02	Apr02	2001	2002	2003	2004	2005
<b>Money Market Rates</b>													
Federal Funds	3.31	3.00	2.75	2.75	2.94	3.00	3.12	3.25	4.08	3.67	5.21	5.50	5.27
Prime Rate	6.31	6.00	5.75	5.75	5.94	6.00	6.12	6.25	7.09	6.67	8.21	8.50	8.27
Discount Rate	2.81	2.50	2.25	2.25	2.44	2.50	2.62	2.75	3.59	3.17	4.71	5.00	4.77
91-Day CD	3.33	3.05	2.80	3.01	3.15	3.22	3.34	3.47	3.96	3.89	5.43	5.72	5.48
91-Day CP	3.26	2.99	2.74	2.99	3.05	3.11	3.23	3.36	3.88	3.78	5.33	5.61	5.37
91-Day CP EBY	3.33	3.05	2.80	3.05	3.12	3.18	3.30	3.44	3.98	3.87	5.48	5.77	5.52
91-Day Eurodollar	3.31	3.05	2.83	2.86	3.08	3.17	3.29	3.42	3.95	3.83	5.38	5.67	5.44
1-Month LIBOR	3.42	3.13	2.90	2.93	3.14	3.22	3.34	3.47	4.11	3.88	5.43	5.72	5.49
3-Month LIBOR	3.39	3.12	2.89	2.92	3.14	3.23	3.35	3.48	4.03	3.89	5.44	5.73	5.50
6-Month LIBOR	3.46	3.21	3.00	3.04	3.27	3.37	3.49	3.62	4.01	4.03	5.58	5.87	5.64
12-Month LIBOR	3.57	3.31	3.10	3.14	3.37	3.47	3.59	3.72	4.09	4.13	5.68	5.97	5.74
<b>Treasury Bill Rates</b>													
91-Day T-Bill	3.01	2.80	2.65	2.68	2.89	2.97	3.09	3.24	3.62	3.64	4.99	5.21	4.98
182-Day T-Bill	3.07	2.90	2.77	2.82	3.03	3.12	3.23	3.38	3.60	3.76	5.06	5.29	5.07
365-Day T-Bill	3.04	2.93	2.83	2.92	3.15	3.26	3.38	3.53	3.53	3.89	5.18	5.43	5.20
<b>Treasury Yield Curve</b>													
91-Day T-Bill, EBY	3.08	2.86	2.70	2.74	2.95	3.03	3.16	3.31	3.71	3.73	5.13	5.36	5.12
182-Day T-Bill, EBY	3.16	2.98	2.85	2.90	3.12	3.21	3.33	3.49	3.72	3.89	5.26	5.51	5.27
365-Day T-Bill, EBY	3.16	3.04	2.93	3.03	3.27	3.39	3.52	3.68	3.68	4.07	5.47	5.74	5.48
Treasury: 1-Year	3.24	3.10	2.97	3.05	3.28	3.40	3.53	3.68	3.71	4.07	5.47	5.75	5.49
Treasury: 2-Year	3.50	3.42	3.37	3.49	3.73	3.85	3.99	4.16	3.99	4.52	5.63	5.83	5.58
Treasury: 3-Year	3.78	3.74	3.71	3.85	4.07	4.17	4.27	4.42	4.22	4.73	5.72	5.90	5.65
Treasury: 5-Year	4.16	4.10	4.09	4.25	4.43	4.51	4.60	4.75	4.57	4.96	5.80	5.95	5.70
Treasury: 7-Year	4.48	4.46	4.47	4.65	4.81	4.87	4.94	5.07	4.87	5.22	5.89	6.15	5.90
Treasury: 10-Year	4.72	4.71	4.80	5.00	5.10	5.15	5.20	5.32	5.03	5.38	5.83	6.16	5.92
Treasury: 30-Year	5.22	5.21	5.25	5.35	5.40	5.43	5.46	5.52	5.45	5.52	5.88	6.22	6.04
<b>Treasury Spreads</b>													
Treasury: 30 - 10-Year	0.50	0.50	0.45	0.35	0.30	0.28	0.26	0.20	0.42	0.13	0.05	0.07	0.12
Treasury: 30Y - 91D	2.14	2.35	2.55	2.61	2.45	2.40	2.30	2.21	1.75	1.79	0.75	0.87	0.92
Treasury: 30Y - Fed Funds	1.91	2.21	2.50	2.60	2.46	2.43	2.34	2.27	1.37	1.85	0.66	0.72	0.77
Treasury: 30 - 2-Year	1.72	1.79	1.88	1.86	1.67	1.58	1.47	1.36	1.46	1.00	0.25	0.39	0.46
<b>Corporate Rates (Moody's, Seasoned)</b>													
Corporate: Aaa	6.60	6.55	6.34	6.43	6.46	6.51	6.53	6.65	6.90	6.67	6.91	7.17	6.93
Corporate: Aa	6.72	6.65	6.42	6.50	6.54	6.59	6.61	6.73	7.06	6.76	7.02	7.27	7.04
Corporate: A	6.83	6.75	6.50	6.57	6.61	6.65	6.67	6.78	7.32	6.82	7.12	7.37	7.14
Corporate: Baa	6.98	6.89	6.63	6.69	6.73	6.77	6.79	6.91	7.51	6.96	7.30	7.55	7.32
Utility: Aaa	6.80	6.75	6.54	6.63	6.66	6.69	6.71	6.83	7.17	6.85	7.09	7.35	7.11
Utility: Aa	6.90	6.83	6.60	6.68	6.72	6.75	6.77	6.89	7.30	6.92	7.18	7.44	7.21
Utility: A	6.99	6.91	6.66	6.73	6.77	6.79	6.81	6.92	7.44	6.96	7.26	7.52	7.29
Utility: Baa	7.09	7.00	6.74	6.80	6.84	6.86	6.88	7.00	7.58	7.05	7.39	7.65	7.42
<b>Corporate Spreads</b>													
Aa Corp. - 10Y Treasury	2.01	1.95	1.62	1.51	1.44	1.44	1.41	1.42	2.03	1.38	1.19	1.12	1.12
Baa Corp. - 10Y Treasury	2.26	2.18	1.83	1.69	1.63	1.63	1.60	1.59	2.48	1.57	1.47	1.39	1.40
Corp.: Baa - Aa	0.26	0.23	0.20	0.19	0.20	0.19	0.18	0.17	0.45	0.20	0.28	0.28	0.28

# Money Market—QUARTERLY HISTORY

	99Q3	99Q4	00Q1	00Q2	00Q3	00Q4	01Q1	01Q2	1996	1997	1998	1999	2000
<b>Money Market Rates</b>													
Federal Funds	5.09	5.31	5.68	6.27	6.52	6.47	5.59	4.33	5.30	5.46	5.35	4.97	6.24
Prime Rate	8.10	8.37	8.69	9.25	9.50	9.50	8.62	7.34	8.27	8.44	8.35	7.99	9.23
Discount Rate	4.60	4.87	5.19	5.74	6.00	6.00	5.11	3.83	5.02	5.00	4.92	4.62	5.73
91-Day CD	5.38	6.06	6.03	6.57	6.63	6.59	5.26	4.10	5.39	5.62	5.47	5.33	6.46
91-Day CP	5.23	5.85	5.87	6.41	6.49	6.45	5.14	4.01	5.41	5.57	5.34	5.18	6.31
91-Day CP EBY	5.37	6.02	6.04	6.60	6.69	6.65	5.28	4.11	5.56	5.73	5.49	5.32	6.50
91-Day Eurodollar	5.35	6.04	6.03	6.56	6.62	6.58	5.26	4.10	5.38	5.61	5.45	5.30	6.45
1-Month LIBOR	5.28	5.80	5.92	6.48	6.62	6.65	5.50	4.30	5.44	5.64	5.58	5.25	6.42
3-Month LIBOR	5.44	6.14	6.11	6.62	6.70	6.69	5.33	4.19	5.51	5.76	5.57	5.41	6.53
6-Month LIBOR	5.80	6.08	6.32	6.83	6.84	6.61	5.17	4.14	5.59	5.86	5.56	5.53	6.65
12-Month LIBOR	5.95	6.26	6.76	7.17	6.97	6.55	5.10	4.28	5.78	6.08	5.57	5.71	6.86
<b>Treasury Bill Rates</b>													
91-Day T-Bill	4.65	5.04	5.52	5.71	6.02	6.02	4.82	3.66	5.01	5.06	4.78	4.64	5.82
182-Day T-Bill	4.78	5.21	5.69	5.96	6.02	5.93	4.65	3.64	5.08	5.18	4.83	4.75	5.90
365-Day T-Bill	4.87	5.29	5.82	5.86	5.80	5.63	4.42	3.59	5.21	5.32	4.80	4.81	5.78
<b>Treasury Yield Curve</b>													
91-Day T-Bill, EBY	4.77	5.18	5.68	5.88	6.19	6.19	4.94	3.75	5.14	5.20	4.90	4.76	5.99
182-Day T-Bill, EBY	4.96	5.42	5.94	6.23	6.29	6.19	4.82	3.76	5.29	5.39	5.02	4.93	6.16
365-Day T-Bill, EBY	5.13	5.59	6.17	6.22	6.16	5.96	4.63	3.74	5.50	5.63	5.06	5.06	6.13
Treasury: 1-Year	5.16	5.61	6.19	6.22	6.13	5.90	4.60	3.78	5.51	5.63	5.05	5.08	6.11
Treasury: 2-Year	5.63	5.94	6.53	6.56	6.22	5.71	4.59	4.19	5.84	5.99	5.13	5.43	6.26
Treasury: 3-Year	5.71	6.00	6.56	6.52	6.16	5.63	4.64	4.43	5.99	6.10	5.14	5.49	6.22
Treasury: 5-Year	5.77	6.06	6.59	6.42	6.06	5.55	4.80	4.83	6.18	6.22	5.15	5.54	6.15
Treasury: 7-Year	6.07	6.29	6.64	6.43	6.08	5.63	5.04	5.14	6.34	6.32	5.28	5.78	6.20
Treasury: 10-Year	5.88	6.14	6.48	6.18	5.89	5.57	5.05	5.27	6.44	6.35	5.26	5.64	6.03
Treasury: 30-Year	6.04	6.25	6.30	5.98	5.80	5.69	5.44	5.70	6.70	6.61	5.58	5.87	5.94
<b>Treasury Spreads</b>													
Treasury: 30 - 10-Year	0.16	0.11	-0.18	-0.20	-0.09	0.12	0.39	0.43	0.26	0.25	0.31	0.23	-0.09
Treasury: 30Y - 91D	1.27	1.07	0.63	0.10	-0.39	-0.50	0.50	1.95	1.56	1.41	0.68	1.11	-0.04
Treasury: 30Y - Fed Funds	0.95	0.95	0.63	-0.30	-0.72	-0.78	-0.15	1.37	1.40	1.15	0.23	0.90	-0.29
Treasury: 30 - 2-Year	0.41	0.31	-0.22	-0.59	-0.42	-0.02	0.86	1.51	0.86	0.62	0.45	0.44	-0.31
<b>Corporate Rates (Moody's, Seasoned)</b>													
Corporate: Aaa	7.33	7.49	7.71	7.77	7.61	7.40	7.08	7.22	7.37	7.26	6.53	7.04	7.62
Corporate: Aa	7.61	7.73	7.87	7.98	7.78	7.68	7.31	7.42	7.55	7.47	6.80	7.35	7.83
Corporate: A	7.78	7.91	8.09	8.25	8.09	8.03	7.68	7.81	7.68	7.53	6.93	7.52	8.11
Corporate: Baa	8.10	8.24	8.33	8.59	8.32	8.21	7.88	8.04	8.05	7.86	7.22	7.87	8.36
Utility: Aaa	7.48	7.68	7.88	8.02	7.94	7.67	7.43	7.55	7.48	7.43	6.77	7.21	7.88
Utility: Aa	7.75	7.93	8.05	8.18	8.05	7.97	7.62	7.71	7.57	7.54	6.91	7.51	8.06
Utility: A	7.85	8.05	8.29	8.45	8.20	8.03	7.74	7.93	7.75	7.60	7.04	7.62	8.24
Utility: Baa	8.11	8.24	8.38	8.58	8.30	8.18	7.93	8.06	8.16	7.95	7.26	7.88	8.36
<b>Corporate Spreads</b>													
Aa Corp. - 10Y Treasury	1.73	1.59	1.39	1.80	1.89	2.11	2.26	2.15	1.11	1.12	1.54	1.71	1.80
Baa Corp. - 10Y Treasury	2.22	2.10	1.85	2.42	2.43	2.65	2.83	2.77	1.62	1.51	1.96	2.23	2.34
Corp.: Baa - Aa	0.49	0.51	0.46	0.62	0.54	0.53	0.57	0.61	0.51	0.39	0.42	0.52	0.54

# Money Market—QUARTERLY FORECAST

	01Q3	01Q4	02Q1	02Q2	02Q3	02Q4	03Q1	03Q2	2001	2002	2003	2004	2005
<b>Money Market Rates</b>													
Federal Funds	3.58	2.83	3.02	3.36	3.92	4.37	4.78	5.12	4.08	3.67	5.21	5.50	5.27
Prime Rate	6.57	5.83	6.02	6.36	6.92	7.37	7.78	8.12	7.09	6.67	8.21	8.50	8.27
Discount Rate	3.07	2.33	2.52	2.86	3.42	3.87	4.28	4.62	3.59	3.17	4.71	5.00	4.77
91-Day CD	3.54	2.95	3.24	3.58	4.14	4.59	4.99	5.34	3.96	3.89	5.43	5.72	5.48
91-Day CP	3.47	2.91	3.13	3.47	4.03	4.51	4.89	5.23	3.88	3.78	5.33	5.61	5.37
91-Day CP EBY	3.55	2.97	3.20	3.55	4.12	4.63	5.02	5.38	3.98	3.87	5.48	5.77	5.52
91-Day Eurodollar	3.52	2.91	3.18	3.53	4.09	4.54	4.95	5.29	3.95	3.83	5.38	5.67	5.44
1-Month LIBOR	3.65	2.99	3.23	3.58	4.14	4.59	5.00	5.34	4.11	3.88	5.43	5.72	5.49
3-Month LIBOR	3.61	2.98	3.24	3.59	4.15	4.60	5.01	5.35	4.03	3.89	5.44	5.73	5.50
6-Month LIBOR	3.66	3.08	3.38	3.73	4.29	4.74	5.15	5.49	4.01	4.03	5.58	5.87	5.64
12-Month LIBOR	3.81	3.18	3.48	3.83	4.39	4.84	5.25	5.59	4.09	4.13	5.68	5.97	5.74
<b>Treasury Bill Rates</b>													
91-Day T-Bill	3.29	2.71	2.98	3.33	3.90	4.36	4.65	4.88	3.62	3.64	4.99	5.21	4.98
182-Day T-Bill	3.27	2.83	3.13	3.47	4.00	4.45	4.71	4.92	3.60	3.76	5.06	5.29	5.07
365-Day T-Bill	3.22	2.89	3.26	3.62	4.13	4.55	4.80	5.03	3.53	3.89	5.18	5.43	5.20
<b>Treasury Yield Curve</b>													
91-Day T-Bill, EBY	3.37	2.77	3.05	3.40	3.99	4.47	4.77	5.01	3.71	3.73	5.13	5.36	5.12
182-Day T-Bill, EBY	3.37	2.91	3.22	3.58	4.14	4.62	4.89	5.12	3.72	3.89	5.26	5.51	5.27
365-Day T-Bill, EBY	3.35	3.00	3.39	3.77	4.32	4.78	5.06	5.30	3.68	4.07	5.47	5.74	5.48
Treasury: 1-Year	3.44	3.04	3.40	3.78	4.32	4.78	5.06	5.30	3.71	4.07	5.47	5.75	5.49
Treasury: 2-Year	3.76	3.43	3.86	4.27	4.77	5.17	5.33	5.46	3.99	4.52	5.63	5.83	5.58
Treasury: 3-Year	4.04	3.77	4.17	4.51	4.95	5.29	5.43	5.55	4.22	4.73	5.72	5.90	5.65
Treasury: 5-Year	4.49	4.15	4.51	4.81	5.14	5.40	5.52	5.63	4.57	4.96	5.80	5.95	5.70
Treasury: 7-Year	4.79	4.53	4.87	5.11	5.36	5.54	5.61	5.68	4.87	5.22	5.89	6.15	5.90
Treasury: 10-Year	4.97	4.84	5.15	5.35	5.48	5.55	5.56	5.61	5.03	5.38	5.83	6.16	5.92
Treasury: 30-Year	5.39	5.27	5.43	5.50	5.54	5.60	5.61	5.65	5.45	5.52	5.88	6.22	6.04
<b>Treasury Spreads</b>													
Treasury: 30 - 10-Year	0.42	0.43	0.28	0.15	0.05	0.05	0.05	0.04	0.42	0.13	0.05	0.07	0.12
Treasury: 30Y - 91D	2.02	2.50	2.38	2.10	1.55	1.14	0.83	0.64	1.75	1.79	0.75	0.87	0.92
Treasury: 30Y - Fed Funds	1.81	2.44	2.41	2.14	1.62	1.24	0.83	0.53	1.37	1.85	0.66	0.72	0.77
Treasury: 30 - 2-Year	1.63	1.84	1.57	1.23	0.77	0.44	0.27	0.19	1.46	1.00	0.25	0.39	0.46
<b>Corporate Rates (Moody's, Seasoned)</b>													
Corporate: Aaa	6.84	6.44	6.50	6.66	6.77	6.77	6.73	6.72	6.90	6.67	6.91	7.17	6.93
Corporate: Aa	6.98	6.53	6.58	6.74	6.86	6.86	6.83	6.83	7.06	6.76	7.02	7.27	7.04
Corporate: A	7.17	6.61	6.64	6.78	6.92	6.93	6.92	6.94	7.32	6.82	7.12	7.37	7.14
Corporate: Baa	7.38	6.74	6.77	6.91	7.06	7.09	7.10	7.12	7.51	6.96	7.30	7.55	7.32
Utility: Aaa	7.08	6.64	6.69	6.84	6.95	6.95	6.91	6.90	7.17	6.85	7.09	7.35	7.11
Utility: Aa	7.18	6.71	6.75	6.90	7.02	7.02	6.99	6.99	7.30	6.92	7.18	7.44	7.21
Utility: A	7.32	6.77	6.79	6.92	7.06	7.07	7.06	7.08	7.44	6.96	7.26	7.52	7.29
Utility: Baa	7.48	6.85	6.86	7.00	7.15	7.18	7.19	7.21	7.58	7.05	7.39	7.65	7.42
<b>Corporate Spreads</b>													
Aa Corp. - 10Y Treasury	2.00	1.69	1.43	1.39	1.37	1.31	1.28	1.22	2.03	1.38	1.19	1.12	1.12
Baa Corp. - 10Y Treasury	2.41	1.90	1.62	1.56	1.58	1.54	1.54	1.51	2.48	1.57	1.47	1.39	1.40
Corp.: Baa - Aa	0.41	0.21	0.19	0.17	0.20	0.23	0.27	0.29	0.45	0.20	0.28	0.28	0.28



# NEW YORK

**EMPLOYMENT GROWTH**  
2000-02

**136**

2000-05

**183**

Best=1 Worst=321

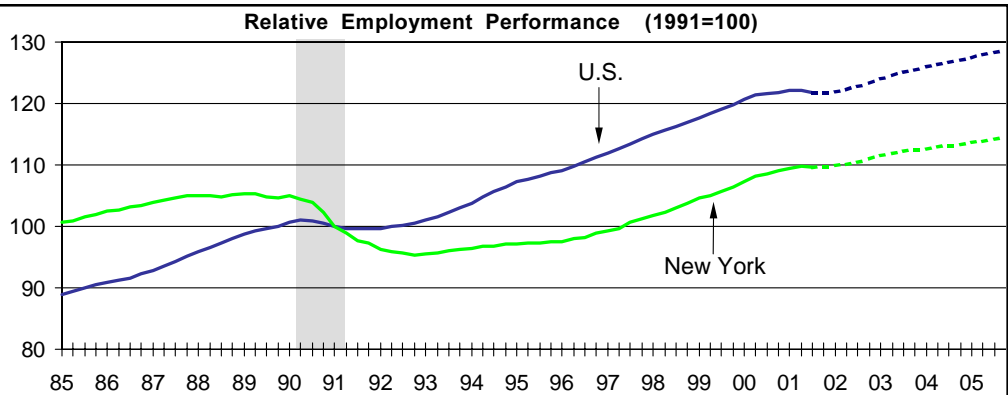
MSA LIFE CYCLE PHASE  
**Mature**

**VITALITY**

Best=1 **278** Worst=321

**COST OF DOING BUSINESS**  
U.S. = 100% **130%**

**COST OF LIVING**  
U.S. = 100% **125%**



1994	1995	1996	1997	1998	1999	2000	Indicators	2001	2002	2003	2004	2005
360.8	367.9	389.6	404.4	430.0	465.0	493.1	<b>Gross Metro Product, C\$B</b>	499.9	506.3	523.5	537.9	553.8
2.1	2.0	5.9	3.8	6.3	8.1	6.0	<b>% Change</b>	1.4	1.3	3.4	2.8	2.9
3,814.6	3,836.7	3,871.0	3,952.5	4,050.1	4,159.2	4,268.3	<b>Total Employment (000)</b>	4,324.6	4,353.5	4,419.1	4,458.4	4,498.4
0.9	0.6	0.9	2.1	2.5	2.7	2.6	<b>% Change</b>	1.3	0.7	1.5	0.9	0.9
8.1	7.6	8.0	8.5	7.3	6.2	5.3	<b>Unemployment Rate</b>	5.0	5.5	5.2	5.0	4.9
3.0	6.3	6.8	4.0	6.6	6.3	7.3	<b>Personal Income Growth</b>	5.5	4.1	4.4	4.1	4.3
8,820.8	8,891.6	8,964.4	9,049.2	9,136.3	9,227.8	9,314.2	<b>Population (000)</b>	9,376.2	9,414.9	9,433.1	9,448.1	9,459.1
2,662	2,765	2,977	2,969	3,193	3,857	3,599	<b>Single-Family Permits</b>	3,442	2,997	2,869	2,771	2,755
3,903	4,545	8,487	8,653	10,342	11,495	14,483	<b>Multifamily Permits</b>	13,501	8,392	8,183	7,842	7,852
172.8	169.5	175.9	177.7	187.3	203.3	231.1	<b>Existing Home Price (\$Ths)</b>	244.2	242.7	248.4	255.9	265.2
16,195	12,357	14,468	15,326	25,460	23,473	20,044	<b>Mortgage Originations (\$Mil)</b>	32,209	20,787	18,538	17,762	17,413
7.4	5.8	7.9	18.4	19.1	21.9	17.9	<b>Net Migration (000)</b>	-5.1	-27.5	-47.3	-50.2	-54.1
18,730	19,419	23,497	28,279	31,202	27,304	22,827	<b>Personal Bankruptcies</b>	27,994	29,423	30,128	29,683	29,908

## STRENGTHS & WEAKNESSES

### STRENGTHS

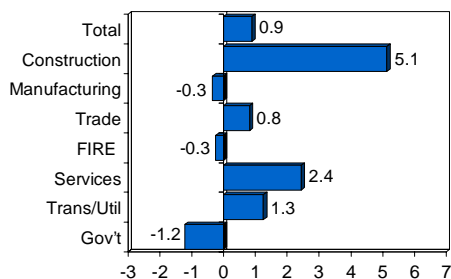
- High per capita income and huge diverse economy support resiliency in the near term.
- Metro area remains financial capital of the nation, supporting rebuilding efforts.
- Federal disaster assistance is coming quickly.

### WEAKNESSES

- High business costs will rise further due to security concerns.
- Congestion will only get worse in near term.
- Multiple city and state tax regulations.
- Long-term fiscal health questionable.

## CURRENT EMPLOYMENT TRENDS

### July 2001 Employment Growth % Change Year Ago



## FORECAST RISKS

SHORT TERM ↓ LONG TERM ↓ RISK-ADJUSTED RETURN, '00-05 **-0.16%**

### UPSIDE

- Fed cuts rates more aggressively than expected.
- Insurers and government move with unprecedented speed to fund rebuilding.

### DOWNSIDE

- Businesses hesitate to move back to NEY.
- Tourists shy away from NEY.
- Rebuilding costs hit local government fiscal conditions.
- Sapped national confidence drives stock market weaker than expected.

## ANALYSIS

**Recent Performance.** The horrible events that have unfolded in New York City have brought its economy to a near standstill. Prior to the attack, NEY's economy was already slowing and employment was down from an April peak. The unemployment rate, however, continued to fall through July, illustrating some resilience in the economy prior to the attack.

New York City's businesses will slowly regain their footing, but its economy has sustained a major blow. The financial industry is crippled, transportation within and in and out of the city is still restricted and stores are largely empty. Like a hurricane or earthquake, this terrorist attack leaves the city with a reduction in output and extensive property damage that will pull down this vibrant economy in the near term.

**Impact.** There will be an immediate impact through lost output and lost tax revenues. Some of these losses can never be made up as a large share of business transactions that go on in New York City involve services rather than goods. Tax revenue losses are another impact, due to slower retail sales and lost wages. The city was planning to increase the World Trade Center's property taxes by nearly fourfold to \$100 million upon the leasing of the building to a private partnership. In all, this tragedy could easily take a \$10 billion bite out of the metro area's \$500 billion economy.

Property damages could reach as high as \$4 billion. The WTC alone was valued at \$1.2 billion. When including the insurance on lost wages, lives and work disruptions, the estimates approach \$20 billion, well above the losses incurred as a result of Hurricane Andrew in 1992 and the Northridge earthquake in 1994.

**Relief.** Congress took only two days to propose a \$40 billion relief package, half of which is earmarked for NEY. Insurance payments will follow. Cleanup will begin soon and infrastructure in lower Manhattan will be rebuilt. Eventu-

ally, another office building will likely rise out of the ashes of the WTC. This pattern of a sharp curtailment in economic output followed by a period of strong growth is common to many events of sudden destruction.

What distinguishes this catastrophic event is the breadth and depth of the human losses. Currently, the mayor's office estimates more than 4,700 casualties, amounting to perhaps as much as one-tenth of 1% of NEY's huge job base. The negative impact of these staggering losses on NEY's economy goes beyond the sheer number. Compounding the lost lives is the tremendous loss of intellectual capital as many of the victims were highly trained professionals. The loss of these individuals could slow the recovery time for these businesses.

**Longer term.** Long-term challenges are increasing. NEY's high costs of doing business will climb even higher as firms increase spending on security measures. Transportation in and out of NEY will also be more inconvenient and more costly as airlines become more stringent with security. Finally, the attack on the WTC could unnerve the business community so they think twice about the safety of being in NEY.

**New York's position as the world's financial capital, however, is unlikely to be lost. The concentration of highly productive human capital will continue to attract and retain businesses. Firms will spend more on security no matter where they are located, although perhaps not to the same degree as in NEY. Finally, as technology shrinks the world, there is no safe haven from a determined terrorist. Thus, while the unspeakable events that occurred on Tuesday will forever change NEY's skyline, its economy will ultimately overcome the blows it has sustained.**

*Celia Chen  
September 14, 2001*

## EMPLOYMENT & INDUSTRY

### TOP EMPLOYERS

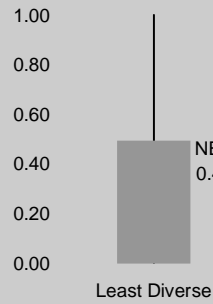
J.P. Morgan Chase & Company	32,086
NY Presbyterian Healthcare Network	26,976
Citigroup, Inc.	26,920
Verizon Communications	24,873
Mount Sinai NYU Health	16,250
Morgan Stanley Dean Witter & Company	13,400
AOL Time Warner, Inc.	13,150
Saint Vincent Catholic Medical Centers	12,904
Federated Department Stores	12,500
Merrill Lynch & Company, Inc.	11,784
New York University	11,511
Consolidated Edison, Inc.	11,098
Columbia University	10,578
International Business Machines Corp.	10,500
North Shore-Long Island Jewish Hlth Sys.	10,425
Goldman Sachs & Company	10,050
PricewaterhouseCoopers	10,000
Bank of New York Company	9,308
Continuum Health Partners, Inc.	9,062
AMR Corporation	8,772

Source: Crain's New York Business, December 2000

Public	
Federal	75,176
State	68,727
Local	513,377
2000	

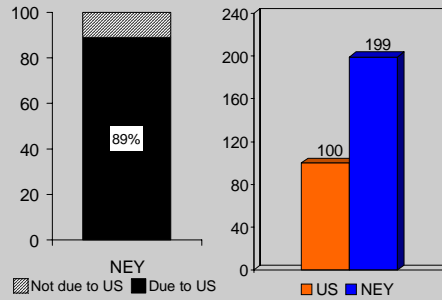
### INDUSTRIAL DIVERSITY

Most Diverse (U.S.)



### EMPLOYMENT VOLATILITY

DUE TO U.S. FLUCTUATIONS      RELATIVE TO U.S.

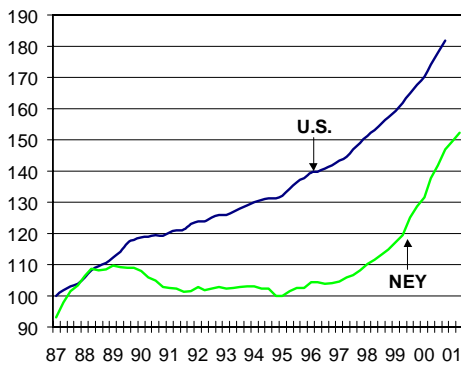


## COMPARATIVE EMPLOYMENT AND INCOME

Sector	% of Total Employment			Average Annual Earnings		
	NEY	NY	US	NEY	NY	US
Mining	0.0%	0.1%	0.4%	na	\$51,654	\$60,254
Construction	3.6%	3.8%	5.1%	\$46,332	\$38,893	\$35,571
Manufacturing	6.8%	10.1%	14.0%	\$66,702	\$54,478	\$47,080
Durable	27.4%	53.1%	60.1%	na	\$52,559	\$49,111
Nondurable	72.6%	46.9%	39.9%	na	\$56,596	\$44,049
Transport/Utilities	5.6%	5.0%	5.3%	\$54,542	\$51,104	\$47,663
Wholesale Trade	5.3%	5.2%	5.4%	\$63,210	\$53,134	\$46,750
Retail Trade	12.3%	15.0%	17.6%	\$24,392	\$20,771	\$18,710
Finance, Ins., Real Estate	12.3%	8.7%	5.8%	\$122,227	\$88,085	\$39,570
Services	38.7%	35.2%	30.7%	\$45,365	\$37,851	\$31,484
Memo: Health Services	8.9%	8.9%	7.7%	na	\$41,334	\$38,846
Government	15.4%	17.0%	15.6%	\$50,142	\$45,417	\$40,078

Source: Percent of total employment - BLS, 2000; Average annual earnings - BEA, 1999

## HOUSE PRICES



Source: OFHEO, 1987Q1 = 100, NSA

## CREDIT QUALITY

MOODY'S RATING

CITY

**A2**

## LEADING INDUSTRIES

SIC	Industry	Employees (000)
806	Hospitals	171.1
621	Security brokers and dealers	144.5
738	Misc business services	99.5
832	Individual and family services	94.9
811	Legal services	83.4
822	Private colleges & universities	77.7
PH	Private household workers	77.6
651	Real estate operators & lessors	70.9
602	Commercial banks	63.3
874	Management and public relations	59.5
808	Home health care services	53.0
731	Advertising	52.7
513	Apparel, piece goods & notions	52.4
734	Services to buildings	50.2
781	Motion picture production & services	46.4
High-tech employment		104.8
As % of total employment		2.4

Source: BLS, Economy.com, 2000

## MIGRATION FLOWS

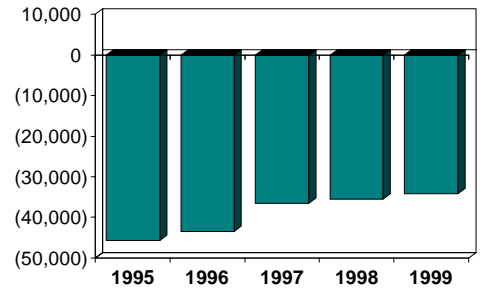
Into New York	Number of Migrants	Median Income
Nassau NY	20,264	34,763
Bergen-Passaic NJ	6,159	35,431
New Haven CT	5,459	38,665
Boston MA	5,077	29,639
Newark NJ	4,980	32,515
Jersey City NJ	4,843	37,512
Washington DC	4,256	32,064
Los Angeles CA	3,364	29,724
Philadelphia PA	3,124	28,268
Middlesex NJ	2,838	35,173
Total All MSA's	137,462	27,419

### From New York

Nassau NY	40,149	39,347
Bergen-Passaic NJ	11,073	41,024
New Haven CT	9,395	51,427
Newark NJ	9,147	43,348
Middlesex NJ	7,994	45,330
Jersey City NJ	7,245	35,629
Monmouth NJ	6,703	50,142
Newburgh NY	6,522	42,238
Boston MA	5,947	28,762
Washington DC	5,253	30,820
Total All MSA's	233,431	29,352

Total Net Migration	-95,969	-1,933
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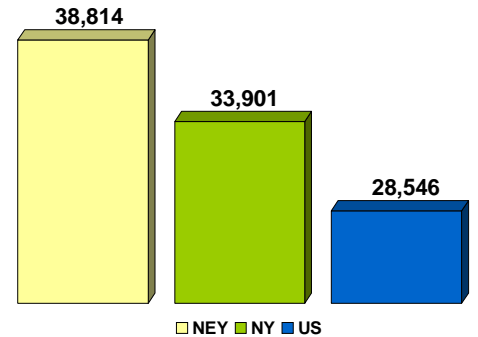
### Net Migration, NEY



	Domestic	Foreign	Total
1995	-149,143	103,394	-45,749
1996	-156,306	112,779	-43,527
1997	-149,243	112,744	-36,499
1998	-129,538	94,046	-35,492
1999	-123,723	89,623	-34,100

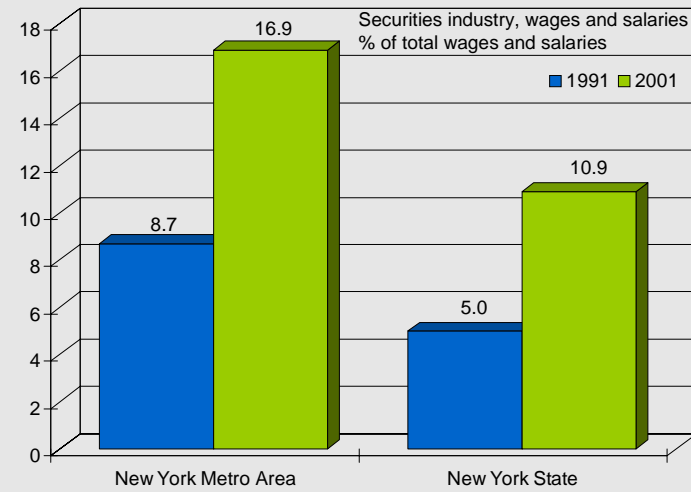
Source: IRS (top), 2000; Census Bureau, 1999

## PER CAPITA INCOME



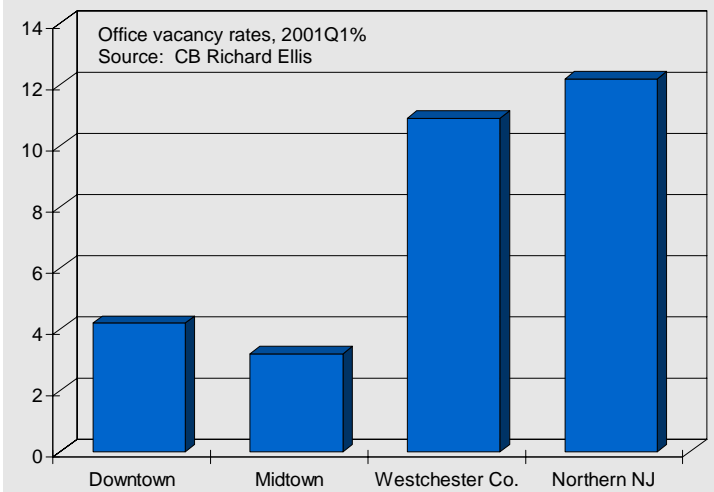
Source: Bureau of Economic Analysis, 1999

## Securities Industry Is Crucial to New York's Income



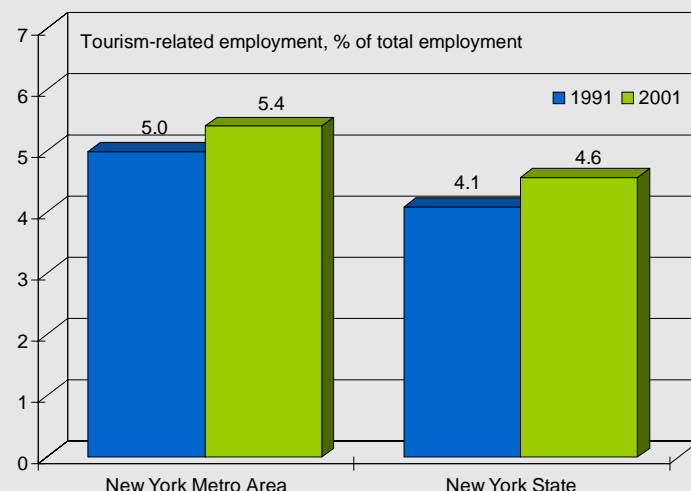
The loss of the World Trade Center and the temporary shutdown of financial markets will be a severe blow to NEY's economy. The securities industry accounts for an outsized share of wages and salaries in the metro area and its economy is determined by the performance of the securities industry. The loss of income will reverberate through the housing, transportation, retail and service industries in Manhattan and around the metro area and will contribute to the constriction in the current quarter followed by a very slow expansion through early next year.

## Displaced Firms Will Be Forced Out of New York City



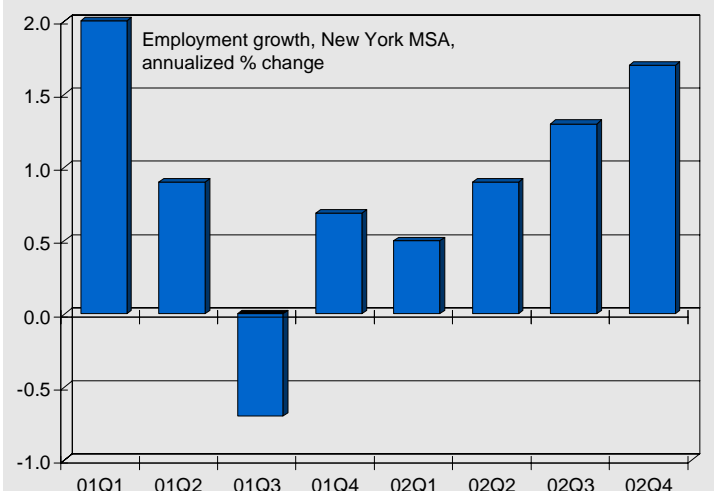
Displaced firms are already scrambling for space. Vacancy rates in Manhattan rose slightly in the second quarter, but not enough to replace the nearly 20 million square feet of space that was destroyed at the World Trade Center or damaged nearby, which accounts for approximately 5% of Manhattan's office space. Struggling dot coms are turning over their excess space to displaced firms, but the available blocks are generally small. Companies will be more successful if they search in the suburbs rather than in New York. NEY's vacancy rates will drop close to zero and suburban rates will fall substantially.

## Weak Tourism Will Also Hurt New York In The Near Term



Tourism will fall sharply in the near term, as it will take time for travelers to get over their fear of flying and their hesitation to come to NEY. This will put additional pressure on Manhattan restaurants, hotels, retailers and transportation services. The loss will be made up partly by the large number of visitors who will arrive to participate in the immediate cleanup and the subsequent rebuilding effort. But this will not support high-end tourism services that support a large share of income derived from the industry. Thus, expect weak service employment growth over the coming year.

## Near-Term Employment Outlook Is Grim



The near-term outlook is bleak. Prior to the terrorist attack, employment growth had already slowed to zero. There will be an inevitable decline in the current quarter from the horrendous loss of life in lower Manhattan and the virtual shutdown of its economy. A slight rebound will become evident in the fourth quarter, driven by government emergency funds and insurance payments that will go toward infrastructure repairs, cleanup, and refurbishing of remaining office space. The huge NEY economy will move forward slowly, assisted by new construction activity next year.