

DISCOUNT RATE CHANGE

November 7, 2002

Effective today, the Federal Reserve Board approved for the Eighth Federal Reserve District a decrease in the discount rate from 1.25 percent to 0.75 percent.

It is believed that an accommodative stance of monetary policy, coupled with still-robust underlying growth in productivity, is providing important ongoing support to economic activity. However, incoming economic data have tended to confirm that greater uncertainty, in part attributable to heightened geopolitical risks, is currently inhibiting spending, production, and employment. Inflation and inflation expectations remain well contained.

In these circumstances, additional monetary easing should prove helpful as the economy works its way through this current soft spot. With this action, against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the risks are balanced with respect to the prospects for both goals in the foreseeable future.

If you have any questions, please call Harold E. Slingerland, Assistant Vice President toll free at 1-800-333-0810 extension 44-8752 or locally at (314) 444-8752.