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

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CONFIDENTIAL (FR)  
CLASS II - FOMC

May 15, 1980

SUPPLEMENT  
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

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## SUPPLEMENTAL NOTES

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### Industrial production and capacity utilization

Industrial production declined 1.9 percent in April, following declines of 0.7 percent in March and 0.2 percent in February. As noted in the Greenbook, large declines occurred in April in output of motor vehicles and parts and of construction supplies, 12.0 percent and 3.4 percent, respectively. However, most of the decline in the overall index was accounted for by widespread reductions among other components.

Manufacturers operated at 81.0 percent of capacity in April, down 2.0 percentage points from March. The utilization rate for primary processing industries fell 2.4 percentage points further in April and the rate for advanced processing industries declined 1.7 percentage points. For industrial materials producers, the capacity utilization rate dropped to 82.2 percent from 84.5 percent in March.

### Long-term Securities Markets

A sense of the Senate resolution removing all restrictions on the issuance of tax-exempt mortgage revenue bonds in 1980 was adopted by the Senate Finance Committee on May 14. This move by the Senate committee in effect nullifies the attempt by the House to limit the use of these securities. About \$5.0 billion of single-family mortgage revenue bonds have been sold thus far in 1980. Given this development, the pace of issuance could pick up significantly over the remainder of the year.

Housing starts and permits

Starts of new private houses declined 2.1 percent in April to a seasonally adjusted annual rate of 1.02 million units after a 21.7 percent decline in March to a 1.04 million units rate. Starts of single-family units edged up 1.6 percent to a 625,000 annual rate, while starts of multi-family units declined 7.5 percent to a 394,000 unit rate. Permits for new houses declined 14.2 percent in April to an 800,000 annual rate, with permits for single-family units down 13.2 percent further and permits for multi-family units down 15.5 percent.

ERRATA:

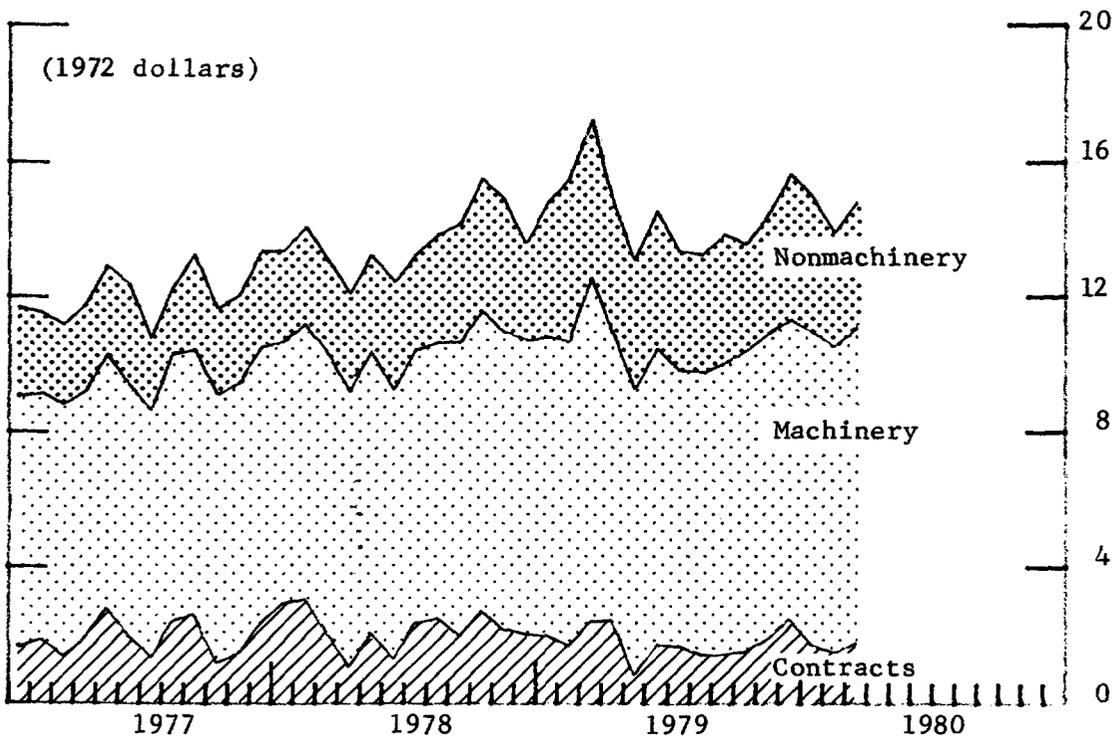
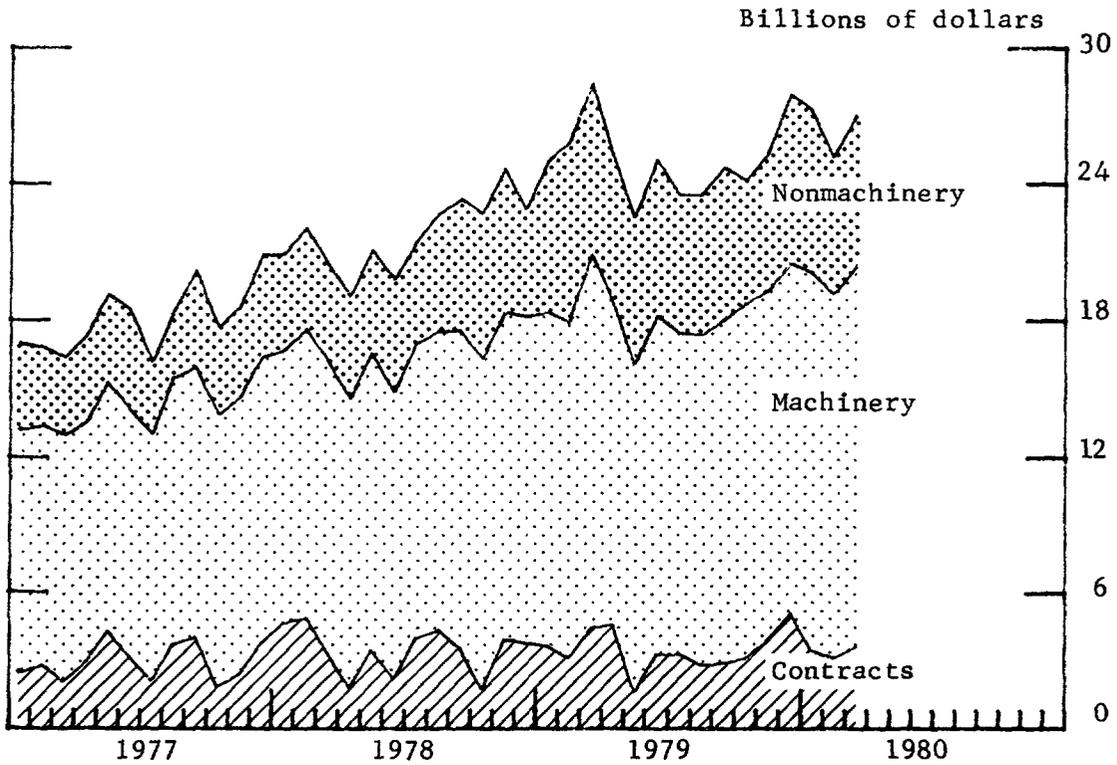
Part I, page I-21.

Line 13, should read "a 10 percent" instead of "an 8 percent".

Part II, page II-9.

The attached chart on CAPITAL SPENDING COMMITMENTS, with corrected scale, should replace the one in the Greenbook.

CAPITAL SPENDING COMMITMENTS  
Seasonally adjusted



SELECTED FINANCIAL MARKET QUOTATIONS  
(Percent)

	1979 <sup>1</sup>	1980 <sup>4</sup>				Change from:		
	FOMC Oct. 5	Early Jan.	Mar-Apr High	FOMC Apr. 22	May 15	Early Jan.	Mar-Apr High	FOMC Apr. 22
<b>Short-term rates</b>								
Federal funds <sup>2</sup>	11.91	13.94	19.39	17.56	10.85	-3.09	-8.54	-6.71
Treasury bills								
3-month	10.70	11.45	16.00	12.25	8.61	-2.84	-7.39	-3.64
6-month	10.63	11.50	15.64	11.78	8.72	-2.78	-6.92	-3.06
1-year	10.28	10.60	14.58	10.92	8.73	-1.87	-5.85	-2.19
Commercial paper								
1-month	11.73	12.93	18.00	15.90	9.18	-3.75	-8.82	-6.72
3-month	11.86	12.90	17.69	15.44	9.07	-3.83	-8.62	-6.37
6-month	11.84	12.36	17.25	14.15	8.88	-3.48	-8.37	-5.27
Large negotiable CDs <sup>3</sup>								
1-month	12.09	13.28	17.87	16.29	9.34	-3.94	-8.53	-6.95
3-month	12.50	13.38	18.59	15.50	9.46	-3.92	-9.13	-6.04
6-month	12.80	13.36	18.47	14.55	9.54	-3.82	-8.93	-5.01
Eurodollar deposit <sup>2</sup>								
1-month	12.45	14.59	19.04	17.44	10.49	-4.10	-8.55	-6.95
3-month	12.79	14.56	19.60	17.10	11.16	-3.40	-8.44	-5.94
Bank prime rate	13.50	15.25	20.00	19.50	17.50	2.25	-2.50	-2.00
<b>Intermediate- and long-term rates</b>								
U.S. Treasury (constant maturity)								
3-year	10.01	10.62	14.53	11.18	9.47	-1.15	-5.06	-1.71
10-year	9.60	10.51	13.65*	10.82	10.31	-.20	-3.34	-.51
30-year	9.36	10.26	12.85*	10.94	10.46	.20	-2.39	-.48
Municipal (Bond Buyer) <sup>4</sup>	6.64	7.30	9.44	7.89	7.44	.14	-2.00	-.45
Corporate Aaa								
New issue <sup>5</sup>	10.22	11.51	14.22	12.87	11.43 <sup>P</sup>	.08	-2.79	-1.44
Recently offered <sup>6</sup>	10.25	11.54	14.12	12.69	11.65 <sup>P</sup>	.11	-2.47	-1.04
Primary conventional mortgages <sup>6</sup>	11.35	12.90	16.35	16.35	14.68	1.78	-1.67	-1.67
	FOMC Oct. 5	Early Jan.	Mar-Apr Low	FOMC Apr. 22	May 15	Early Jan.	Mar-Apr Low	FOMC Apr. 22
<b>Stock prices</b>								
Dow-Jones Industrial	897.61	858.96	759.13	789.85	822.53	-36.43	63.40	32.68
NYSE Composite	63.39	63.25	55.30	58.74	61.04	-2.21	5.74	2.30
AMEX Composite	235.15	254.45	215.69	245.03	253.44	-1.01	37.75	8.41
NASDAQ (OTC)	152.29	153.12	124.09	135.71	146.62	-6.50	22.53	10.91

1. One-day quotes except as noted.

2. Averages for statement week closest to date shown.  
    secondary market.

4. One-day quotes for preceding Thursday.

5. Averages for preceding week.

6. One-day quotes for preceding Friday.

\*--Highs reached on Feb. 26.

MONETARY AGGREGATES  
(Based on seasonally adjusted data unless otherwise noted)<sup>1</sup>

	1979		1980				Apr. '81
	Q3	Q4	Q1	Feb.	Mar. <sup>p</sup>	Apr. <sup>e</sup>	to Apr. '81
---- Percentage Change at Annual Rates ----							
<u>Money stock measures</u>							
1. M-1A	8.8	4.7	5.5	12.2	-3.2	-18.5	3.8
2. M-1B	10.1	5.3	6.0	11.7	-1.2	-14.4	4.9
3. M-2	10.3	7.2	7.4	10.7	3.6	-2.8	7.5
4. M-3	10.3	9.9	8.4	12.6	3.4	-0.3	8.5
<u>Selected components</u>							
5. Currency	11.1	8.1	8.7	10.1	7.8	1.1	8.8
6. Demand deposits	8.0	3.4	4.1	12.7	-7.2	-26.6	1.8
7. Other checkable deposits, NSA <sup>2</sup>	46.7	15.7	20.1	0.0	36.4	70.6	33.3
8. M-2 minus M-1B (9+10+11+14)	10.4	7.9	7.9	10.4	5.2	1.1	8.3
9. Overnight RPs and Eurodollars, NSA <sup>3</sup>	-4.7	-17.3	-1.6	-4.8	-77.4	-181.0	-21.5
10. Money market mutual fund shares, NSA	166.2	120.0	149.9	185.7	78.3	4.0	215.6
11. Commercial banks	10.7	7.4	7.5	8.8	4.1	11.7	9.0
12. savings deposits	-0.4	-15.1	-16.8	-16.1	-34.6	-40.8	-13.3
13. small time deposits	21.5	28.6	28.1	28.6	34.1	49.1	31.8
14. Thrift institutions	5.3	3.6	-0.5	-1.5	2.8	0.6	2.6
15. savings deposits	-2.5	-26.0	-22.7	-28.4	-29.1	-40.8	-17.9
small time deposits	10.4	22.3	11.7	12.4	18.9	21.1	16.2
Large time deposits	9.5	30.3	18.4	31.9	13.7	16.6	17.9
at commercial banks, net <sup>4</sup>	2.5	22.6	10.4	27.1	12.3	14.0	10.6
19. at thrift institutions	72.2	90.8	72.6	60.2	21.5	28.2	88.6
20. Term RPs, NSA	13.8	5.4	-15.8	-27.7	-85.1	-4.4	-1.8

--Average Monthly Change in Billions of Dollars--

MEMORANDA:

21. Managed liabilities at commercial banks (22+23)	9.5	-1.5	7.6	13.5	5.1	-5.4	3.7
22. Large time deposits, gross	4.3	2.2	3.2	5.9	2.5	5.0	2.2
23. Nondeposit funds	5.2	-3.4	4.4	7.6	2.6	-10.4	1.5
24. Net due to related foreign institutions, NSA	2.9	-2.2	1.2	2.4	2.0	-4.6	0.7
25. Other <sup>5</sup>	2.2	-1.2	3.3	5.2	0.7	-5.9	0.8
26. U.S. government deposits at commercial banks <sup>6</sup>	0.6	-1.1	-0.3	-1.5	-3.9	1.2	0.3

1. Quarterly growth rates are computed on a quarterly average basis.

2. Consists of ATS and NOW balances at all institutions, credit union share draft balances, and demand deposits at mutual savings banks.

3. Overnight and continuing contract RPs issued to the nonbank public by commercial banks, net of amounts held by money market mutual funds, plus overnight Eurodollar deposits issued by Caribbean branches of U.S. member banks to U.S. nonbank customers.

4. Net of large denomination time deposits held by money market mutual funds and thrift institutions.

5. Consists of borrowings from other than commercial banks in the form of federal funds purchases, securities sold under agreements to repurchase and other liabilities for borrowed money (including borrowings from the Federal Reserve), loans sold to affiliates, loans RPs, and other minor items.

6. Consists of Treasury demand deposits at commercial banks and Treasury note balances.

e--estimated. n.a.--not available. p--preliminary.