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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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Home sales

Housing demand increased sharply in June according to new data. Sales of new houses in June rose over 15 percent from May and were more than 50 percent above April's depressed rate. At this improved sales pace, builders had inventories of 7.8 months' supply--down from the record levels seen this spring. In addition, sales of existing houses rose 7 percent in June, the first increase after 8 months of decline.

House prices also showed some upward movement. The average selling price of a new house in June was \$77,900, 5 percent above a year earlier. The average selling price of existing houses, at \$74,100, in June was 12 percent above June, 1979.

Consumer installment credit

Consumer installment credit outstanding contracted at a record annual rate of 13-1/2 percent in June, slightly exceeding the 13-1/4 percent decline in May. New credit extensions again dropped by more than credit liquidations. The declines in credit outstanding were mainly at commercial banks and credit unions, and were centered in auto credit and revolving credit.

Commercial paper

Commercial paper outstanding fell \$800 million seasonally adjusted in July, the first decrease since October 1976. All of the nonbank-related components of the series declined in June. Nonfinancial paper increased only \$600 million in July, well below the average monthly increases of \$2.5 billion in the second quarter and the \$1.9 billion average rise in the first quarter. Dealers reported that the large

number of long-term financings by businesses in June and July contributed to this weakness. Over the two months, nonfinancial commercial paper issuers sold almost \$6-1/2 billion of long-term debt, a portion of which apparently was used to pay down outstanding commercial paper.

Deposit flows at nonbank thrift institutions

Data on deposit flows at savings and loan associations in the last 10 days of July, received too late to be incorporated into the monetary aggregates table included in this Supplement, indicate somewhat slower growth than had been estimated. The rate of expansion of total small time and savings deposits at all thrifts is now estimated to have been at about a 6-3/4 percent annual rate in July, 1 percentage point below the July figure in the table. Savings deposit growth remained quite strong, while small time deposits now appear to have declined slightly.

CONSUMER INSTALLMENT CREDIT¹

	1978	1979	1980			
			Q2	Apr.	May	June
<u>Total</u>						
Change in outstandings						
Billions of dollars	44.8	35.5	-35.5	-23.8	-41.2	-41.6
Percent	19.4	12.9	-11.4	-7.6	-13.3	-13.6
Bank share (percent)	53.1	37.8	83.2	112.7	72.7	76.8
Extensions						
Billions of dollars	298.4	322.6	257.9	270.6	254.9	248.4
Bank share (percent)	47.8	46.4	41.4	41.4	41.5	41.4
Liquidations						
Billions of dollars	253.5	287.1	293.5	294.4	296.1	289.9
Ratio to disposable income (percent)	17.4	17.7	16.7	16.8	16.9	16.5
<u>Automobile credit</u>						
Change in outstandings						
Billions of dollars	19.6	12.6	-14.9	-7.7	-16.1	-20.9
Percent	23.6	12.3	-12.7	-6.6	-13.8	-18.1
Extensions						
Billions of dollars	89.0	91.9	62.8	68.7	62.3	57.2
<u>Revolving credit</u>						
Change in outstandings						
Billions of dollars	7.8	8.1	-6.5	-4.7	-5.8	-9.0
Percent	20.7	17.9	-12.1	-8.7	-11.0	-17.0
Extensions						
Billions of dollars	104.6	120.8	120.1	123.5	121.1	115.6

1. Quarterly and monthly dollar figures and related percent changes are at seasonally adjusted annual rates.

COMMERCIAL PAPER OUTSTANDING
(Monthly totals or monthly averages, seasonally adjusted; billions of dollars)¹

	Net changes in outstandings						12 months ending July ^p	Outstanding July 1980 ^p
	1979		1980					
	Q3	Q4	Q1	Q2	June	July ^p		
Total commercial paper outstanding	2.3	1.5	2.5	2.6	1.1	-.8	1.9	125.7
Bank-related	.5	.3	.6	-.3	-1.3	.1	.3	21.8
Nonbank-related	1.8	1.2	1.8	2.9	2.4	-.8	1.6	103.9
Financial	.5	.8	-.1	.4	-.5	-1.4	.2	60.6
Dealer	.5	.4	.1	.3	.8	-.1	.2	15.6
Direct	-.1	.4	-.1	*	-1.3	-1.4	*	45.0
Nonfinancial	1.3	.4	1.9	2.5	2.9	.6	1.5	43.2

p--preliminary. *--less than \pm 0.05 billion.

1. Monthly totals are averages of weekly data.

Note: Components may not add to total due to rounding.

COMMERCIAL BANK CREDIT AND SHORT- AND INTERMEDIATE-TERM BUSINESS CREDIT
(Percentage changes at annual rates, based on seasonally adjusted data)¹

	1979		1980			July '79 to July '80 ^e	
	Q4	Q1	Q2 ^e	May	June ^e	July ^e	
----- Commercial Bank Credit -----							
1. Total loans and investments at banks ²	3.4	11.5	-4.4	-6.1	-2.8	6.4	6.0
2. Investments	3.5	7.3	10.6	20.3	15.9	24.5	9.3
3. Treasury securities	-5.9	3.0	10.6	18.0	30.4	44.5	5.6
4. Other securities	8.3	9.4	11.2	21.4	10.8	14.9	11.2
5. Total loans ²	3.4	12.8	-9.5	-15.0	-9.5	0.0	4.9
6. Business loans	6.0	16.4	-7.9	-13.9	-4.8	1.6	7.6
7. Security loans	-88.5	-32.8	-26.2	-50.9	-7.6	-84.1	-38.1
8. Real estate loans	14.2	11.9	1.0	2.4	-1.9	5.3	9.9
9. Consumer loans	5.5	3.7	-21.5 ^r	-25.7	-25.6 ^r	n.a.	n.a.
-- Short- and Intermediate-Term Business Credit --							
10. Total short- and intermediate- term business credit (sum of lines 13,14 and 15)	6.4	22.0	4.1	3.7	8.2	n.a.	n.a.
11. Business loans net of bankers acceptances ¹	6.3	17.6	-8.8	-16.3	-5.4	1.2	7.6
12. Commercial paper issued by nonfinancial firms ³	15.5	76.2	86.9	119.7	87.7	16.9	67.4
13. Sum of lines 11 & 12	7.0	23.1	1.3	-1.4	5.8	3.2	12.9
14. Finance company loans to business ⁴	4.0	-2.8	-4.0	-5.1	-6.9	n.a.	n.a.
15. Total bankers acceptances outstanding ⁴	4.6	54.1	33.9	50.7	44.0	n.a.	n.a.

1. Average of Wednesdays for domestic chartered banks and average of current and preceding ends of months for foreign-related institutions.

2. Loans include outstanding amounts of loans reported as sold outright to a bank's own foreign branches, unconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and unconsolidated nonbank subsidiaries of the holding company.

3. Average of Wednesdays.

4. Based on average of current and preceding ends of months.

e--estimated. n.a.--not available. r--revised

MONETARY AGGREGATES

(Based on seasonally adjusted data unless otherwise noted)¹

	1979		1980				July '79	July '80 ^e
	Q4	Q1	Q2	May	June	July ^e		
---- Percentage change at annual rates ----								
Money stock measures								
1. M-1A	4.5	4.8	-3.9	0.7	11.4	7.4	3.2	
2. M-1B	5.0	5.9	-2.4	-1.6	14.9	10.7	4.5	
3. M-2	7.1	7.2	5.5	9.8	17.8	17.0	8.8	
4. M-3	9.1	7.8	5.8	8.9	13.1	11.5	8.9	
Selected components								
5. Currency	8.5	8.3	7.0	12.1	9.8	11.9	9.3	
6. Demand deposits	2.9	3.4	-8.5	-4.6	12.6	5.5	0.8	
7. Other checkable deposits, NSA ²	12.6	29.3	31.8	-37.9	78.3	73.5	35.1	
8. M-2 minus M-1B (9+10+11+14)	7.8	7.7	8.1	13.5	18.8	19.1	10.2	
9. Overnight RPs and Eurodollars, NSA ³	-33.1	-7.5	-72.0	59.1	67.6	245.3	-4.9	
10. Money market mutual fund shares, NSA	120.0	151.9	82.7	127.2	132.9	84.1	183.6	
11. Commercial banks	8.6	6.9	9.8	5.6	10.9	13.5	9.5	
12. savings deposits	-16.5	-19.3	-22.6	-7.5	32.9	38.6	-9.9	
13. small time deposits	32.1	29.1	33.9	14.1	-3.1	-3.1	28.3	
14. Thrift institutions	3.7	-0.3	3.7	6.4	10.9	7.8	3.7	
15. savings deposits	-26.0	-22.5	-27.1	-21.5	23.7	25.6	-15.9	
16. small time deposits	22.3	12.0	19.4	19.0	4.9	0.0	16.2	
17. Large time deposits	28.3	17.8	10.6	4.1	-22.0	-30.2	13.1	
18. at commercial banks, net ⁴	20.2	9.9	7.4	-1.2	-25.9	-36.3	6.7	
19. at thrift institutions	90.8	72.6	28.9	34.4	0.0	3.3	65.1	
20. Term RPs, NSA	-16.0	-31.9	-19.4	0.0	44.3	42.7	-9.1	

--Average monthly change in billions of dollars--

MEMORANDA:

21. Managed liabilities at commercial banks (22+23)	-1.6	8.0	-7.5	-2.4	-14.2	-3.7	3.0
22. Large time deposits, gross	2.0	3.1	0.0	1.7	-5.0	-3.9	1.7
23. Nondeposit funds	-3.6	4.9	-7.5	-4.1	-9.2	0.2	1.3
24. Net due to related foreign institutions, NSA	-2.5	1.6	-6.0	-3.6	-8.2	-3.0	-1.4
25. Other ⁵	-1.1	3.3	-1.5	-0.5	-1.0	3.2	0.7
26. U.S. government deposits at commercial banks ⁶	-1.0	-0.2	0.4	0.8	-0.8	2.2	-0.4

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 purchased, 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.

SELECTED FINANCIAL MARKET QUOTATIONS¹
(Percent)

	1979	1980				Change from:		
	FOMC Oct. 5	Mar-Apr. High	Mid-June** Low	FOMC July 9	Aug. 7	Mar-Apr. High	Mid-June Low	FOMC July 9
Short-term rates								
Federal funds ²	11.91	19.39	8.99	9.26	9.60	-9.79	.61	.34
Treasury bills								
3-month	10.70	16.00	6.18	7.97	8.38	-7.62	2.20	.41
6-month	10.63	15.64	6.60	7.90	8.56	-7.08	1.96	.66
1-year	10.28	14.58	7.00	7.78	8.55	-6.03	1.55	.77
Commercial paper								
1-month	11.73	18.00	7.98	8.45	8.59	-9.41	.61	.14
3-month	11.86	17.69	7.78	8.32	8.76	-8.93	.98	.44
6-month	11.84	17.25	7.59	8.19	8.78	-8.47	1.19	.59
Large negotiable CDs ³								
1-month	12.09	17.87	7.96	8.59	9.01	-8.86	1.05	.42
3-month	12.50	18.59	7.90	8.65	9.16	-9.43	1.26	.51
6-month	12.80	18.47	7.66	8.60	9.40	-9.07	1.74	.80
Eurodollar deposit ²								
1-month	12.45	19.04	8.88	9.06	9.83	-9.21	.95	.77
3-month	12.79	19.60	8.99	9.23	10.09	-9.51	1.10	.86
Bank prime rate	13.50	20.00	12.00	11.50	11.00	-9.00	-1.00	-.50
Intermediate- and long-term rates								
J.S. Treasury (constant maturity)								
3-year	10.01	14.53	8.56	9.11	9.86	-4.67	1.30	.75
10-year	9.60	13.65*	9.47	10.14	10.71	-2.94	1.24	.57
30-year	9.36	12.85*	9.49	10.14	10.68	-2.17	1.19	.54
Municipal (Bond Buyer) ⁴	6.64	9.44	7.44	7.88	8.59	-.85	1.15	.71
Corporate Aaa								
New issue ⁵	10.22	14.22	10.53	11.50	11.93p	-2.29	1.40	.43
Recently offered ⁶	10.25	14.12	10.79	11.18	11.95p	-2.17	1.16	.77
Primary conventional mortgages ⁶	11.35	16.35	12.35	12.18	12.25	-4.10	-.10	.07
	FOMC Oct. 5	Mar-Apr. Low	Mid-June High	FOMC July 9	Aug. 7	Mar-Apr. High	Mid-June Low	FOMC July 9
Stock Prices								
Dow-Jones Industrial	897.61	759.13	881.91	897.27	950.94	191.81	69.03	53.67
NYSE Composite	63.39	55.30	66.36	67.46	70.60	15.30	4.24	3.14
AMEX Composite	235.15	215.69	297.60	307.27	317.13	101.44	19.53	9.86
NASDAQ (OTC)	152.29	124.09	159.18	164.09	175.24	51.15	16.06	11.15

1. One-day quotes except as noted.

2. Averages for statement week closest to date shown.

3. Secondary market.

4. One-day quotes for preceding Thursday.

5. Averages for preceding week.

6. One-day quotes for preceding Friday.

*-- Highs reached on February 26.

**-- Most lows occurred on or around June 13.

p-- preliminary.