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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

TABLE OF CONTENTS

	<u>Page</u>
THE DOMESTIC NONFINANCIAL ECONOMY	
Industrial Production and Capacity Utilization . . . . .	1
Retail Trade and Business Inventories . . . . .	2
TABLES:	
Business Inventories . . . . .	4
Inventory/Sales Ratios . . . . .	4
THE DOMESTIC FINANCIAL ECONOMY	
TABLES:	
Commercial bank credit and short- and intermediate- term business credit . . . . .	5
Monetary aggregates . . . . .	6
Selected financial market quotations . . . . .	7

## SUPPLEMENTAL NOTES

### Industrial Production and Capacity Utilization

Industrial production rose 1.6 percent in October, following gains of 1.0 and 1.3 percent in August and September, respectively, based on upward revised data. In October, advances in production were broadly based, with quite large increases in output of motor vehicles and steel. Industrial output excluding these two products increased about 1 percent in October, as they had in the two preceding months. Total industrial production has increased 4 percent since its low in July, but the October index was still 4.4 percent below a year earlier.

Output of consumer goods rose 1.2 percent in October, reflecting a large gain for durable goods and almost no change for nondurable goods. Production of consumer automotive products rose 8-1/2 percent, as autos were assembled in October at an annual rate of 6.7 million units, compared to an annual rate of 6.0 million units in September, and production of home goods--such as appliances, carpeting, and furniture--advanced 1.9 percent further. Production of business equipment increased 0.7 percent in October, after three months of little change; output in this sector had declined 3.6 percent in the spring. Production of defense and space equipment rose sharply again in October. Output of construction supplies increased 1.7 percent, somewhat less than in August and September; production of these supplies remained about 12 percent below the level a year earlier.

Production of durable materials increased very sharply--3.7 percent--in October, reflecting large gains in the output of basic metals and of parts for consumer durables. Output of nondurable

materials rose 2.5 percent further in October, following large (upward revised) increases in August and September; the large October rise mainly reflected substantial increases in production of chemical materials.

The capacity utilization rate for manufacturers rose in October to 77.6 percent from 76.5 percent in September. At materials producers, the utilization rate rose to 77.9 percent in October from 76.1 percent in the preceding month. Capacity utilization increased sharply at producers of motor vehicles and parts, fabricated metal products, iron and steel, nonferrous metals, chemicals, and rubber and plastics. A sizable decline occurred in the operating rate for producers of petroleum products.

#### Retail Trade and Business Inventories

The book value of retail trade inventories rose at a seasonally adjusted annual rate of \$18-1/2 billion in September, almost three times the August increase. For the third quarter as a whole, these inventories rose at about a \$12-1/2 billion annual rate, well above the quarterly increases during the past year. The September jump in retail inventories was accompanied by a 1-1/2 percent rise in sales, and the stock-sales ratio for all retail trade remained unchanged at 1.41.

Almost all of the September accumulation was at retailers of non-durable goods. These stocks rose at a \$19.7 billion annual rate, following no change in the previous month. Large increases occurred in September at general merchandise stores, where sales declined over 2 percent. A sizable advance in stocks also was reported by apparel retailers, whose sales also declined substantially. Durable goods stocks were reduced slightly, on balance, following a \$10 billion

rate rise in August. Declines occurred in September in stocks of automotive products and of furniture and appliances.

The book value of total manufacturing and trade inventories increased at a \$30 billion annual rate in September, about the same as in the two previous months and in the second quarter. This rate of increase in total business stock book values over the last six months is considerably less than the rates of accumulation during 1979 and the first quarter of this year. In September, the rise in inventories was accompanied by a 3 percent advance in shipments and sales. As a result, the inventory-sales ratio for all manufacturing and trade fell to 1.43 from 1.47 in August; this was the fourth consecutive monthly decline. The stock-sales record based on constant dollar data dropped even more sharply in September.

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

	1980						Oct. '79
	Q1	Q2	Q3	Aug. <sup>e</sup>	Sept. <sup>e</sup>	Oct. <sup>e</sup>	to Oct. '80 <sup>e</sup>
----- Commercial Bank Credit -----							
1. Total loans and investments at banks <sup>2</sup>	11.5	-4.4	13.6	17.3	15.3	13.2	6.7
2. Investments	7.3	11.0	21.3	25.2	11.6	13.4	11.9
3. Treasury securities	3.0	10.6	39.2	42.9	24.1	13.5	13.0
4. Other securities	9.4	11.2	12.7	16.5	5.2	13.3	11.3
5. Total loans <sup>2</sup>	12.8	-9.5	10.9	14.7	16.6	13.0	4.9
6. Business loans	16.4	-9.1	16.1	21.3	24.5	23.3	8.5
7. Security loans	-32.8	-23.8	-7.6	64.0	-22.8	31.0	-22.8
8. Real estate loans	11.9	1.0	5.6	5.3	6.2	11.4	8.0
9. Consumer loans	3.7	-21.5	-7.1	-6.3	-0.7	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)	22.0	1.2	n.a.	11.3	n.a.	n.a.	n.a.
11. Business loans net of bankers acceptances <sup>1</sup>	17.6	-10.5	16.6	22.5	26.9	28.0	8.8
12. Commercial paper issued by nonfinancial firms <sup>3</sup>	76.2	86.9	-22.5	-47.2	-37.6	-53.4	34.3
13. Sum of lines 11 & 12	23.1	-0.2	11.6	13.4	19.0	18.3	11.1
14. Finance company loans to business <sup>4</sup>	-2.8	-4.0	n.a.	-3.5	12.2	n.a.	n.a.
15. Total bankers acceptances outstanding <sup>4</sup>	54.1	32.3	n.a.	17.7	n.a.	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.

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

	1980						Oct. '79
	Q1	Q2	Q3	Aug.	Sept.	Oct.	to Oct. '80
----- Percentage change at annual rates -----							
<u>Money stock measures</u>							
1. M-1A	4.8	-3.9	11.0	19.3	12.6	9.1	5.5
2. M-1B	5.9	-2.4	13.5	21.6	15.8	11.2	7.3
3. M-2	7.2	5.5	15.5	14.5	8.5	9.2	9.5
4. M-3	7.8	5.7	12.5	13.6	9.1	10.9	9.1
<u>Selected components</u>							
5. Currency	8.3	7.0	11.3	15.0	5.3	12.6	9.1
6. Demand deposits	3.4	-8.3	10.8	21.6	15.8	8.0	4.0
7. Other checkable deposits, NSA <sup>2</sup>	29.3	31.8	63.2	63.5	71.2	46.6	47.9
8. M-2 minus M-1B (9+10+11+14)	7.7	8.1	16.1	12.2	6.1	8.6	10.2
9. Overnight RPs and Eurodollars, NSA <sup>3</sup>	-7.5	-72.0	132.7	103.8	49.8	12.0	5.5
10. Money market mutual fund shares, NSA	151.9	82.7	75.7	1.5	-37.2	-12.3	109.8
11. Commercial banks	6.9	9.8	10.7	10.4	7.0	10.3	9.5
12. savings deposits	-19.3	-22.6	26.4	26.5	7.6	9.4	-4.6
13. small time deposits	29.1	33.9	0.6	0.0	6.1	10.9	22.0
14. Thrift institutions	-0.3	3.7	9.7	11.2	8.9	9.8	5.2
15. savings deposits	-22.5	-27.1	25.6	35.2	14.6	5.0	-7.1
16. small time deposits	12.0	19.3	2.5	0.0	6.2	11.8	12.3
17. Large time deposits	17.8	10.6	-11.1	-4.8	19.7	16.2	8.1
18. at commercial banks, net <sup>4</sup>	9.9	7.4	-15.8	-8.8	16.5	10.7	2.1
19. at thrift institutions	72.6	28.9	14.6	16.6	36.0	44.4	51.4
20. Term RPs, NSA	-31.9	-19.4	46.7	98.3	-30.3	54.4	-2.1

--Average monthly change in billions of dollars--

MEMORANDA:

21. Managed liabilities at commercial banks (22+23)	8.0	-6.6	-0.1	-2.3	5.8	7.4	-0.1
22. Large time deposits, gross	3.1	0.0	0.3	0.3	4.5	2.6	1.2
23. Nondeposit funds	4.9	-6.6	-0.4	-2.6	1.3	4.8	-1.1
24. Net due to related foreign institutions, NSA	1.6	-6.0	-3.0	-1.8	-3.0	2.2	-2.2
25. Other <sup>5</sup>	3.3	-0.5	2.5	-0.9	4.4	2.6	1.1
26. U.S. government deposits at commercial banks <sup>6</sup>	-0.2	0.4	1.3	0.9	0.9	1.4	0.1

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, loan RPs, and other minor items.

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



SELECTED FINANCIAL MARKET QUOTATIONS<sup>1</sup>  
(Percent)

	1979	1980				Change from:		
	FOMC Oct. 5	Mar-Apr High	Mid-June** Low	FOMC Oct. 21	Nov. 13	Mar-Apr High	Mid-June Low	FOMC Oct. 21
<u>Short-term rates</u>								
Federal funds <sup>2</sup>	11.91	19.39	8.99	12.55	14.65	-4.74	5.66	2.10
Treasury bills								
3-month	10.70	16.00	6.18	11.64	13.09	-2.91	6.91	1.45
6-month	10.63	15.64	6.60	11.52	12.84	-2.80	6.24	1.32
1-year	10.28	14.58	7.00	11.23	12.05	-2.53	5.05	.82
Commercial paper								
1-month	11.73	18.00	7.98	12.41	14.35	-3.65	6.37	1.94
3-month	11.86	17.69	7.78	12.23	14.32	-3.37	6.54	2.09
6-month	11.84	17.25	7.59	11.92	13.92	-3.33	6.33	2.00
Large negotiable CDs <sup>3</sup>								
1-month	12.09	17.87	7.96	12.52	14.69	-3.18	6.73	2.17
3-month	12.50	18.59	7.90	12.73	14.82	-3.77	6.92	2.09
6-month	12.80	18.47	7.66	12.76	14.54	-3.93	6.88	1.78
Eurodollar deposit <sup>2</sup>								
1-month	12.45	19.04	8.88	13.14	15.85	-3.19	6.97	2.71
3-month	12.79	19.60	8.99	13.38	16.39	-3.21	7.40	3.01
Bank prime rate	13.50	20.00	12.00	14.00	15.50	-4.50	3.50	1.50
<u>Intermediate- and long-term rates</u>								
U.S. Treasury (constant maturity)								
3-year	10.01	14.53	8.56	11.96	12.80	-1.73	4.24	.84
10-year	9.60	13.65*	9.47	11.70	12.49	-1.16	3.02	.79
30-year	9.36	12.85*	9.49	11.53	12.23	-.62	2.74	.70
Municipal (Bond Buyer) <sup>4</sup>	6.64	9.44	7.44	8.81	9.50	.06	2.06	.69
Corporate Aaa								
New issue <sup>5</sup>	10.22	14.22	10.53	12.62	--	--	--	--
Recently offered <sup>6</sup>	10.25	14.12	10.79	12.85	13.69	-.43	2.90	.84
Primary conventional mortgages <sup>6</sup>	11.35	16.35	12.35	13.78	14.08	-2.27	1.73	.30
	FOMC Oct. 5	Mar-Apr. Low	Mid-Oct. High	FOMC Oct. 21	Nov. 13	Mar-Apr Low	Mid-Oct. High	FOMC Oct. 21
<u>Stock Prices</u>								
Dow-Jones Industrial	897.61	759.13	972.44	954.44	982.42	223.29	9.98	27.98
NYSE Composite	63.39	55.30	77.24	75.98	78.58	23.28	1.34	2.60
AMEX Composite	235.15	215.69	363.33	361.69	348.17	132.48	-15.16	-13.52
NASDAQ (OTC)	152.29	124.09	199.43	196.46	200.25	76.16	.82	3.79

One-day quotes except as noted.

Averages for statement week closest to date shown.

1. Secondary market.

\* Highs reached on February 26.

4. One-day quotes for preceding Thursday.

5. Averages for preceding week.

6. One-day quotes for preceding Friday.

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