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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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SUPPLEMENTAL NOTES

New Car Sales

Sales of new cars assembled in North America in the mid-June ten-day period dropped sharply to a 4.0 million unit annual rate from the 6.1 million unit rate in the first third of June and the 6.4 million unit rate in May. The sales rate for the first two thirds of June, at 5.1 million units a year, was about a fifth below the rate in May and 7 percent below the 5.5 million unit rate in April. The sharp drop in sales in the mid-June period probably reflects the impact of the ending of a number of major purchase-incentive programs that had stimulated purchases in May--including the termination on June 6 of Ford Motor Company's cash rebates and extended warranties on several models, the termination on May 31 of a rebate program on one model by Chrysler Motors Corporation, and the ending at the end of May of General Motors' reduction of interest rates on credit-financed purchases. (Although the latter program ended May 31, the program reportedly was extended for some purchases that were not completed by the end of the month because of delivery delays.)

Recent Housing Market Developments

Sales of existing houses in May were at about a 1.91 million unit annual rate, the same rate as in April. The April-May rate was slightly below the 1.92 million rate in the fourth quarter of 1981--the lowest rate in any quarter since the fourth quarter of 1970.

New mortgage lending commitments at insured savings and loan associations edged down further in May and were 8-1/2 percent below their recent peak in February, but still above their depressed level last fall.

Outstanding commitments (including loans in process) at all operating S&Ls also edged down further in May and were at their lowest level since last November.

Federal Government Debt Ceiling

The Senate, following adoption by the Congress of the first concurrent resolution on the budget for fiscal year 1983, passed legislation to implement the provisions contained in that resolution to increase the temporary ceiling on debt subject to limit. The House, under its procedure, took this action earlier when it passed the budget resolution containing that provision. These actions increase the debt ceiling by \$63.3 billion to \$1,143 billion through September 30, 1982.

Corrigendum

In part II, page IV-24, line 9, change 2.8 to read 0.4.

MONETARY AGGREGATES
(Based on seasonally adjusted data unless otherwise noted)¹

| | 1981 | | 1982 | | | QIV. '81 | to May '82 |
|---|-------|-------|-------|-------|-------|----------|---------------|
| | Q3 | Q4 | Q1 | Mar. | Apr. | May | |
| --Percentage change at annual rates-- | | | | | | | |
| <u>Money stock measures</u> | | | | | | | |
| 1. M1 | 0.3 | 5.7 | 10.4 | 2.7 | 10.7 | -2.1 | 6.8 |
| 2. M2 | 8.3 | 8.9 | 9.8 | 11.2 | 10.0 | 10.5 | 9.9 |
| 3. M3 | 11.2 | 9.3 | 8.7 | 11.3 | 11.9 | 10.7 | 9.8 |
| <u>Selected components</u> | | | | | | | |
| 4. Currency | 4.7 | 4.3 | 7.9 | 4.8 | 11.5 | 10.5 | 8.7 |
| 5. Demand deposits | -7.5 | -0.2 | -0.5 | -8.2 | 0.0 | -2.1 | -2.8 |
| 6. Other checkable deposits | 21.2 | 27.6 | 48.9 | 27.2 | 40.6 | -21.7 | 33.9 |
| 7. M2 minus M1 (8+9+10+13) | 10.9 | 9.9 | 9.5 | 13.9 | 9.7 | 14.4 | 10.9 |
| 8. Overnight RPs and Eurodollars, NSA ² | 14.9 | -44.1 | 63.6 | 2.8 | -72.6 | 68.3 | 30.2 |
| 9. General purpose and broker/dealer money market mutual fund shares, NSA | 91.5 | 74.2 | 33.8 | 24.6 | 20.4 | 17.8 | 27.4 |
| 10. Commercial banks | 7.8 | 10.3 | 9.4 | 21.4 | 20.1 | 13.5 | 13.6 |
| 11. savings deposits | -22.7 | -11.9 | 8.7 | 13.6 | -0.7 | -1.5 | 5.5 |
| 12. small time deposits | 24.3 | 20.8 | 9.7 | 25.1 | 28.8 | 19.9 | 17.1 |
| 13. Thrift institutions | 1.2 | 1.5 | 1.6 | 5.8 | 4.7 | 10.9 | 4.3 |
| 14. savings deposits | -22.9 | -11.7 | 10.2 | 1.9 | 0.0 | 3.2 | 5.7 |
| 15. small time deposits | 11.4 | 6.6 | -1.5 | 7.3 | 6.5 | 13.9 | 3.8 |
| 16. M3 minus M2 (17+20+21) | 26.1 | 11.2 | 3.3 | 11.8 | 21.4 | 12.1 | 9.4 |
| Large time deposits | 30.6 | 3.5 | 8.9 | 17.5 | 17.3 | 15.5 | 13.4 |
| at commercial banks, net ³ | 32.4 | 0.2 | 6.1 | 14.8 | 17.9 | 20.0 | 12.5 |
| at thrift institutions | 22.2 | 19.5 | 21.6 | 29.7 | 14.5 | -4.1 | 17.4 |
| 20. Institutions-only money market mutual fund shares, NSA | 69.0 | 132.8 | -2.5 | 39.3 | 0.0 | 49.5 | 6.9 |
| 21. Term RPs, NSA | -30.8 | 0.0 | -29.9 | -36.9 | 102.9 | -63.2 | -13.8 |
| --Average monthly change in billions of dollars-- | | | | | | | |
| <u>MEMORANDA:</u> | | | | | | | |
| 22. Managed liabilities at commercial banks ⁴ (23+24) | 6.0 | 0.2 | 0.4 | 1.0 | 2.7 | 4.8 | -3.3 |
| 23. Large time deposits, gross ⁴ | 7.4 | -0.2 | 2.7 | 4.8 | 2.4 | 6.7 | 2.8 |
| 24. Nondeposit funds ⁴ | -1.4 | 0.4 | -2.3 | -3.8 | 0.3 | -1.9 | -6.1 |
| 25. Net due to related foreign institutions, NSA ⁴ | 1.0 | -2.2 | -2.2 | -3.6 | 0.9 | -1.8 | -6.3 |
| 26. Other ^{4,5} | -2.4 | 2.7 | -0.1 | -0.2 | -0.4 | -0.1 | 0.2 |
| 27. U.S. government deposits at commercial banks ⁶ | -0.7 | 0.8 | 1.9 | -4.6 | -4.0 | 1.8 | 0.6 |

1. Quarterly growth rates are computed on a quarterly average basis. Dollar amounts shown under memoranda for quarterly changes are calculated on an end-month-of-quarter basis.

2. 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. Excludes retail RPs, which are in the small time deposit components.

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

4. Adjusted for shifts of assets and liabilities to International Banking Facilities (IBFs) which affected flows from December 1981 to April 1982.

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 and unaffiliated foreign banks), loans sold to affiliates, loan RPs and other minor items. Data are partially estimated.

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

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

| | 1981 | | 1982 | | | | QIV '81 to May '82 |
|---|-------|------|-------|------|------|-------|--------------------------|
| | Q3 | Q4 | Q1 | Mar. | Apr. | May | |
| --Commercial Bank Credit-- | | | | | | | |
| 1. Total loans and investments at banks ^{2,3} | 6.8 | 6.4 | 10.1 | 8.5 | 9.3 | 8.6 | 9.5 ⁴ |
| 2. Investments | .5 | 4.8 | 5.7 | -.3 | 10.7 | 2.1 | 5.6 |
| 3. Treasury securities | -12.0 | -7.8 | 11.5 | -9.4 | 23.1 | -3.1 | 8.6 |
| 4. Other securities | 7.2 | 11.2 | 2.8 | 4.1 | 4.6 | 4.6 | 4.1 |
| 5. Total loans ^{2,3} | 9.1 | 6.9 | 11.6 | 11.1 | 8.9 | 11.0 | 10.8 |
| 6. Business loans ^{2,3} | 17.9 | 9.2 | 16.8 | 14.8 | 10.9 | 18.8 | 15.6 |
| 7. Security loans | -36.2 | 58.6 | -18.3 | 5.8 | .0 | -17.2 | -1.9 |
| 8. Real estate loans | 8.0 | 7.3 | 7.8 | 7.4 | 5.7 | 6.5 | 7.7 |
| 9. Consumer loans | 4.4 | 4.1 | 2.8 | 4.5 | 3.2 | 3.2 | 3.6 |
| --Short- and Intermediate-Term Business Credit-- | | | | | | | |
| 10. Total short- and intermediate-term business credit (sum of lines 14, 15 and 16) | 23.3 | 13.8 | 15.3 | 15.6 | 9.6 | n.a. | n.a. |
| 11. Business loans net of bankers acceptances ³ | 19.7 | 9.3 | 16.5 | 12.9 | 8.9 | 19.9 | 15.4 |
| 12. Commercial paper issued by non-financial firms ⁵ | 57.9 | 21.3 | 30.0 | 38.9 | 14.7 | 33.1 | 29.2 |
| 13. Sum of line 11 & 12 | 24.1 | 10.8 | 18.2 | 16.2 | 9.7 | 21.7 | 17.0 |
| 14. Line 13 plus loans at foreign branches ⁶ | 25.9 | 14.0 | 18.5 | 18.2 | 10.2 | 22.8 | 18.0 |
| 15. Finance company loans to business ⁷ | 14.7 | 7.6 | 1.0 | .0 | -4.5 | n.a. | n.a. |
| 16. Total bankers acceptances outstanding ⁷ | 16.6 | 20.9 | 11.7 | 15.5 | 25.5 | n.a. | n.a. |

1. Average of Wednesdays for domestically 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. Adjusted for shifts of assets and liabilities to International Banking Facilities (IBFs) which affected flows from December 1981 to April 1982.
 4. Growth of bank credit from the FOMC's December-January base through May 1982, not adjusted for shifts of assets from domestic offices to IBFs, was at an annual rate of 8.5 percent. Adjusted for such shifts after January, growth over this period was 9.7 percent.
 5. Average of Wednesdays.
 6. Loans at foreign branches are loans made to U.S. firms by foreign branches of domestically chartered banks.
 7. Based on average of current and preceding ends of month.
- n.a.--not available.

SELECTED FINANCIAL MARKET QUOTATIONS¹
(Percent)

| | 1981 | 1982 | | Change from: | | |
|--|----------|-------------|--------------------|----------------------|-------------|-------------|
| | Highs | Feb. Highs | FOMC May 18 | June 24 | Feb. Highs | FOMC May 18 |
| <u>Short-term rates</u> | | | | | | |
| Federal funds ² | 20.06 | 15.61 | 14.67 | 14.17 | -1.44 | -.50 |
| Treasury bills | | | | | | |
| 3-month | 17.01 | 14.57 | 12.23 | 12.99 | -1.58 | .76 |
| 6-month | 15.93 | 14.36 | 12.25 | 13.30 | -1.06 | 1.05 |
| 1-year | 15.21 | 13.55 | 12.04 | 13.03 | -.52 | .99 |
| Commercial paper | | | | | | |
| 1-month | 18.63 | 15.73 | 13.95 | 14.32 | -1.41 | .37 |
| 3-month | 18.29 | 15.61 | 13.52 | 14.46 | -1.15 | .94 |
| Large negotiable CDs ³ | | | | | | |
| 1-month | 18.90 | 15.94 | 14.16 | 14.57 | -1.37 | .41 |
| 3-month | 19.01 | 16.14 | 14.00 | 15.12 | -1.02 | 1.12 |
| 6-month | 18.50 | 16.18 | 13.87 | 15.46 | -.72 | 1.59 |
| Eurodollar deposits ² | | | | | | |
| 1-month | 19.80 | 16.36 | 14.89 | 15.36 | -1.00 | .47 |
| 3-month | 19.56 | 16.53 | 14.58 | 16.09 | -.44 | 1.51 |
| Bank prime rate | 21.50 | 17.00 | 16.50 | 16.50 | -.50 | 0 |
| Treasury bill futures | | | | | | |
| June 1982 contract | 14.46 | 14.18 | 11.86 | 13.48 | -.70 | 1.62 |
| Dec. 1982 contract | 14.20 | 14.02 | 12.26 | 13.60 | -.42 | 1.34 |
| <u>Intermediate- and long-term rates</u> | | | | | | |
| U.S. Treasury (constant maturity) | | | | | | |
| 3-year | 16.59 | 15.16 | 13.79 | 14.98 | -.18 | 1.19 |
| 10-year | 15.84 | 14.95 | 13.60 | 14.71 | -.24 | 1.11 |
| 30-year | 15.20 | 14.80 | 13.26 | 14.20 | -.60 | .94 |
| Municipal (Bond Buyer) | 13.30 | 13.44 | 11.82 ⁴ | 12.62 ⁴ | -.82 | .80 |
| Corporate--Aaa utility | | | | | | |
| Recently offered | 17.72 | 16.34 | 15.24 ^e | 16.20p ⁵ | -.14 | .96 |
| S&L fixed-rate mortgage commitment | 18.63 | 17.66 | 16.63 ⁵ | 16.71 ⁵ | -.95 | .08 |
| | 1981 | 1982 | | Percent change from: | | |
| | Highs | FOMC May 18 | June 24 | 1981 Highs | FOMC Mar 18 | |
| <u>Stock Prices</u> | | | | | | |
| Dow-Jones Industrial | 1,024.05 | 840.85 | 810.41 | -20.9 | -3.6 | |
| NYSE Composite | 79.14 | 66.84 | 63.12 | -20.2 | -5.6 | |
| EX Composite | 380.36 | 273.81 | 253.82 | -33.3 | -7.3 | |
| NASDAQ (OTC) | 223.47 | 185.81 | 171.12 | -23.4 | -7.9 | |

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. One-day quotes for preceding Friday.

p--preliminary. e--estimated.