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November 12, 1982

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>
<b>THE DOMESTIC NONFINANCIAL ECONOMY</b>	
Retail sales . . . . .	1
Manufacturing and trade inventories . . . . .	1
 TABLES:	
Retail sales . . . . .	2
Changes in manufacturing and trade inventories . . . . .	3
 <b>THE DOMESTIC FINANCIAL ECONOMY</b>	
Tables:	
Monetary aggregates . . . . .	4
Commercial bank credit and short- and intermediate- term business credit . . . . .	5
Selected financial market quotations . . . . .	6
 <b>U.S. INTERNATIONAL TRANSACTIONS</b>	 7
Table:	
Summary of U.S. international transactions . . . . .	8
 <b>CORRIGENDA</b> . . . . .	 9

## SUPPLEMENTAL NOTES

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### Retail sales

Retail sales in nominal terms rose only 0.6 percent in October, according to the advance report, indicating a continuation of the lack-luster consumer spending pattern. In addition, sales in September were revised down four-tenths percentage point to show a 0.6 percent rise. Autos were the chief source of strength the last two months. Sales in the automotive group were up 3.9 percent in October, following a 4.3 percent increase in September. Excluding this group, retail sales fell 0.1 percent in each month.

### Manufacturing and trade inventories

The book value of retail inventories rose at a \$23 billion annual rate in September. As in the previous three months, much of the September inventory rise was in the automotive sector. Between May and September retailers accumulated stocks at a rapid \$20 billion annual rate, after liquidating inventories at an \$8 billion rate during the first five months of the year. The stock buildup in recent months has been accompanied by sluggish sales performance, and consequently the inventory-sales ratio has been moving up; at 1.45 in September, the ratio about equaled the cyclical peak reached at the beginning of 1982. The book value of total manufacturing and trade inventories increased at an \$8.6 billion rate in September--about in line with the moderate rate of accumulation during the two preceding months--as increases in trade stocks offset liquidation at manufacturers. The inventory-sales ratio remained at 1.52.

RETAIL SALES  
(Percent change from preceding period except where indicated;  
based on seasonally adjusted data)

	1982			1982			
	Q1	Q2	Q3	July	Aug.	Sept.	Oct.
Total sales	.1	2.8	-0.1	1.6	-1.1	0.6	.6
(Real) <sup>1</sup>	-0.7	2.4	-1.3	1.2	-1.2	0.5	n.a.
Total, less autos and nonconsumption items	.2	.7	1.5	1.8	-0.3	-0.1	-.1
Total, exc. auto group, gasoline, and noncon sumption items	.5	1.5	1.4	1.7	-0.1	0.0	.1
GAF <sup>2</sup>	-0.3	1.3	0.0	2.7	-1.8	-0.7	.3
<u>Durable goods</u>	.0	7.1	-3.8	.8	-2.7	2.4	2.8
Automotive	.2	11.4	-5.5	1.3	-3.8	4.3	3.9
Furniture & appliances	-4.7	2.6	-1.3	2.1	-2.8	-0.4	2.0
<u>Nondurable goods</u>	.2	.9	1.7	1.9	-0.3	-0.2	-.4
Apparel	4.3	-1.8	0.3	4.3	-2.2	-1.2	-1.0
Food	-0.2	2.0	1.4	1.7	0.4	-0.2	.1
General merchandise <sup>3</sup>	-0.5	2.1	0.3	2.3	-1.3	-0.6	.1
Gasoline	-2.1	-4.8	2.7	2.3	-1.4	-0.6	-1.5

1. BCD series 59. Data are available approximately 3 weeks following the retail sales release.
2. General merchandise, apparel, and furniture and appliance stores.
3. General merchandise excludes mail-order nonstores; mail-order sales are also excluded in the GAF composite sales summary.

AUTO SALES  
(Millions of units; seasonally adjusted annual rates)

	1982			1982		
	Q1	Q2	Q3	Aug.	Sept.	Oct.
Total	8.1	7.5	7.8	7.6	8.4	7.5
Foreign-made	2.2	2.0	2.2	2.2	2.2	2.2
U.S.-made	5.9	5.5	5.6	5.3	6.2	5.3
Small	3.0	2.5	2.6	2.6	3.0	2.4
Intermediate & standard	2.8	3.0	2.9	2.7	3.4	3.0

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

CHANGES IN MANUFACTURING AND TRADE INVENTORIES  
(Billions of dollars at annual rates)

	1980	1981	1982					
			Q1	Q2	Q3(p)	July	Aug.	Sept.(p)
<u>Book Value Basis</u>								
Total	38.4	37.5	-29.0	-.1	10.1	7.6	14.0	8.6
Manufacturing	23.0	19.1	-12.4	-19.8	-11.9	-2.4	-7.4	-25.8
Durable	14.1	13.8	-9.5	-7.1	-5.8	-5.9	-3.0	-8.6
Nondurable	8.9	5.4	-2.9	-12.7	-6.0	3.5	-4.4	-17.2
Wholesale trade	10.6	6.7	-7.2	15.7	3.1	3.0	-5.2	11.4
Retail trade	4.9	11.6	-9.4	4.1	18.9	7.1	26.5	23.0
<u>Constant Dollar Basis</u>								
Total	-1.7	7.1	-15.5	-4.0	n.a.	4.8	1.7	n.a.
Manufacturing	.9	2.6	-8.1	-7.5	n.a.	-2.3	-3.3	n.a.
Wholesale trade	.5	1.5	-3.4	1.7	n.a.	5.3	-5.1	n.a.
Retail trade	-3.0	3.1	-4.0	1.8	n.a.	1.8	10.1	n.a.

INVENTORIES RELATIVE TO SALES<sup>1</sup>

	1974-75 Cyclical Peak <sup>2</sup>	1982 Cyclical Peak <sup>2</sup>	1982					
			Q1	Q2	Q3(p)	July	Aug.(r)	Sept.(p)
<u>Book Value Basis</u>								
Total	1.64	1.54	1.51	1.49	1.51	1.49	1.52	1.52
Manufacturing	1.95	1.81	1.79	1.73	1.71	1.70	1.73	1.72
Durable	2.51	2.48	2.41	2.35	2.36	2.33	2.38	2.40
Nondurable	1.39	1.18	1.18	1.12	1.09	1.11	1.12	1.08
Wholesale trade	1.24	1.26	1.14	1.18	1.24	1.21	1.22	1.26
Retail trade	1.57	1.46	1.42	1.40	1.45	1.40	1.44	1.45
<u>Constant Dollar Basis</u>								
Total	1.76	1.80	1.76	1.73	n.a.	1.74	1.77	n.a.
Manufacturing	2.18	2.19	2.15	2.10	n.a.	2.09	2.14	n.a.
Wholesale trade	1.40	1.48	1.43	1.41	n.a.	1.45	1.46	n.a.
Retail trade	1.52	1.49	1.46	1.45	n.a.	1.46	1.49	n.a.

1. Ratio of end-of-period inventories to average monthly sales for the period.

2. Highs are specific to each series and are not necessarily coincident.

(r) Revised estimates.

(p) Preliminary estimates.

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

	1982						QIV. '81
	Q1	Q2	Q3	Aug.	Sept.	Oct. P	to Oct. '82P
--Percentage change at annual rates--							
<u>Money stock measures</u>							
1. M1	10.4	3.3	3.5	10.4	14.0	20.3	7.9
2. (M1) <sup>2</sup>	(9.5)	(3.6)	(4.3)	(13.9)	(17.1)	(14.5)	(7.7)
3. M2	9.8	9.5	9.7	14.3	4.8	8.0	9.6
4. M3	8.7	10.7	12.0	18.4	3.4	8.9	10.5
<u>Selected components</u>							
5. Currency	7.9	9.3	6.9	6.5	9.3	6.4	8.1
6. Demand deposits	-0.5	-5.8	-1.4	2.6	7.8	17.5	0.1
7. Other checkable deposits	49.5	19.6	11.4	38.4	37.3	46.5	32.6
8. M2 minus M1 (9+10+11+14)	9.5	11.5	11.6	15.5	2.0	4.2	10.2
9. Overnight RPs and Eurodollars, NSA <sup>3</sup>	63.6	-8.4	14.3	30.4	-40.4	78.1	25.6
10. General purpose and broker/dealer money market mutual fund shares, NSA	33.8	20.9	31.0	60.9	12.7	9.9	29.4
11. Commercial banks	9.4	17.2	12.2	12.5	7.7	-0.4	11.8
12. savings deposits	8.7	2.0	-9.7	-8.4	4.6	21.5	2.2
13. small time deposits	9.7	23.8	21.3	20.3	8.8	-8.8	16.0
14. Thrift institutions	1.6	6.0	6.4	5.3	-1.9	2.7	4.2
15. savings deposits	10.2	0.6	-7.8	-5.8	-1.3	47.1	4.8
16. small time deposits	-1.5	8.1	11.7	9.3	-2.3	-13.1	3.9
17. M3 minus M2 (18+21+22)	3.3	16.9	23.4	38.1	-3.5	13.2	14.6
18. Large time deposits	8.9	19.1	19.6	13.6	-1.8	11.7	15.0
19. at commercial banks, net <sup>4</sup>	6.1	19.9	21.3	12.6	-6.5	6.5	14.0
20. at thrift institutions	21.6	15.5	11.5	18.1	17.8	35.1	19.3
21. Institutions-only money market mutual fund shares, NSA	-2.5	15.2	104.0	209.3	22.3	24.6	45.1
22. Term RPs, NSA	-29.9	6.2	-28.1	110.6	-78.8	16.1	-14.1
--Average monthly change in billions of dollars--							
<u>MEMORANDA:</u>							
23. Managed liabilities at commercial banks <sup>4</sup> (24+25)	0.6	6.3	1.6	5.3	-6.7	4.6	3.0
24. Large time deposits, gross <sup>5</sup>	2.7	5.8	5.6	6.8	-0.5	0.7	3.9
25. Nondeposit funds <sup>5</sup>	-2.1	0.5	-4.0	-1.5	-6.2	3.9	-0.9
26. Net due to related foreign institutions, NSA <sup>5</sup>	-2.1	0.4	-4.3	-3.9	-4.4	-3.0	-2.0
27. Other <sup>5,6</sup>	0.0	0.1	0.3	2.4	-1.8	6.9	1.1
28. U.S. government deposits at commercial banks <sup>7</sup>	1.9	-2.5	0.2	0.8	1.4	3.1	0.2

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. M1 seasonally adjusted using alternative model-based procedure applied to weekly data.

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

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

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

6. 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.

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

p--Preliminary.

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

	1982						QIV '81
	Q1	Q2	Q3	Aug.	Sept.	Oct. <sup>P</sup>	to Oct. '82 <sup>P</sup>
--Commercial Bank Credit--							
1. Total loans and investments at banks <sup>2,3</sup>	10.1	8.0	5.8	6.6	4.4	7.0	8.1
2. Investments <sup>3</sup>	5.7	4.7	4.8	8.5	3.4	12.8	5.8
3. Treasury securities	11.5	4.9	8.3	13.4	4.1	42.6	10.7
4. Other securities <sup>3</sup>	2.8	4.8	3.0	6.1	3.0	-2.0	3.4
5. Total loans <sup>2,3</sup>	11.5	9.1	6.2	6.0	4.8	4.9	8.9
6. Business loans <sup>2,3</sup>	16.7	15.0	9.0	3.9	13.0	7.0	13.3
7. Security loans	-18.3	-26.8	63.6	22.9	67.3	85.0	17.8
8. Real estate loans	7.8	6.6	2.8	4.0	3.6	2.8	5.9
9. Consumer loans	2.8	2.8	3.0	1.9	0.6	2.5	3.2
--Short- and Intermediate-Term Business Credit--							
10. Total short- and intermediate-term business credit (sum of lines 14, 15 and 16) <sup>3</sup>	15.2	13.2	n.a.	7.9	n.a.	n.a.	n.a.
Business loans net of bankers acceptances <sup>3</sup>	16.5	15.9	9.0	2.7	12.7	6.6	13.5
12. Commercial paper issued by non-financial firms <sup>5</sup>	30.0	16.8	-6.0	-1.9	-52.7	-71.4	6.9
13. Sum of line 11 & 12 <sup>3</sup>	18.2	16.0	7.0	2.1	3.9	-3.1	12.7
14. Line 13 plus loans at foreign branches <sup>3,6</sup>	18.5	15.8	8.3	5.9	3.8	-3.5	13.4
15. Finance company loans to business <sup>7</sup>	1.0	1.5	15.8	16.1	13.0	n.a.	n.a.
16. Total bankers acceptances outstanding <sup>7</sup>	11.7	10.2	n.a.	13.3	n.a.	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 September 1982.

4. Growth of bank credit from the FOMC's December-January base through October 1982, not adjusted for shifts of assets from domestic offices to IBFs, was at an annual rate of 7.4 percent. Adjusted for such shifts after January, growth over this period was 7.9 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.

p--Preliminary



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

	1981	1982		Change from:		
	Highs	Early summer Highs	FOMC Oct. 5	Nov. 10	Early summer Highs	FOMC Oct. 5
<u>Short-term rates</u>						
Federal funds <sup>2</sup>	20.06	14.81	10.77	9.45	-5.36	-1.32
Treasury bills						
3-month	17.01	13.19	8.14	8.08	-5.11	-.06
6-month	15.93	13.40	9.18	8.34	-5.06	-.84
1-year	15.21	13.12	9.66	8.42	-4.70	-1.24
Commercial paper						
1-month	18.63	14.89	10.23	8.68	-6.21	-1.55
3-month	18.29	15.00	10.42	8.70	-6.30	-1.72
Large negotiable CDs <sup>3</sup>						
1-month	18.90	14.99	10.33	8.89	-6.10	-1.44
3-month	19.01	15.58	10.72	8.97	-6.61	-1.75
6-month	18.50	15.70	10.98	9.14	-6.56	-1.84
Eurodollar deposits <sup>2</sup>						
1-month	19.80	15.66	11.23	9.55	-6.11	-1.68
3-month	19.56	16.28	11.59	9.73	-6.55	-1.86
¾ prime rate	21.50	16.50	13.50	12.00	-4.50	-1.50
Treasury bill futures						
Dec. 1982 contract	14.20	13.69	8.93	8.05(11/11)	-5.64	-.88
June 1983 contract	14.07	13.67	10.56	9.00(11/11)	-4.67	-1.56
<u>Intermediate- and long-term rates</u>						
U.S. Treasury (constant maturity)						
3-year	16.59	14.98	11.62	9.92	-5.06	-1.70
10-year	15.84	14.73	11.69	10.48	-4.25	-1.21
30-year	15.20	14.26	11.81	10.39	-3.87	-1.42
Municipal (Bond Buyer)	13.30	12.63	10.48 <sup>4</sup>	9.92	-2.71	-.56
Corporate--Aaa utility Recently offered	17.72	16.19	13.27 <sup>e</sup>	11.75 <sup>p</sup>	-4.44	-1.52
S&L fixed-rate mort- gage commitment	18.63	16.93	15.13 <sup>5</sup>	13.91 <sup>5</sup>	-3.02	-1.22
	1981	1982		Percent change from:		
	Highs	FOMC Oct. 5	Nov. 11	1981 Highs	FOMC Oct. 5	
<u>Stock Prices</u>						
Dow-Jones Industrial	1,024.05	907.19	1054.73	3.0	16.3	
S&P Composite	79.14	70.06	81.76	3.3	16.7	
NYSE Composite	380.36	283.14	341.85	-10.1	20.7	
NASDAQ (OTC)	223.47	188.77	231.52	3.6	22.6	

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.

U.S. International Financial Transactions

Revisions to the preliminary September data on U.S. International Transactions indicate that net private foreign purchases of long term dollar-denominated Treasury bonds and notes were about \$800 million in September. Moreover, net foreign private purchases of both short and long term dollar-denominated Treasury obligations and U.S. corporate securities were \$2.0 billion in September.

Summary of U.S. International Transactions  
(in billions of dollars)

Private Capital	1981	1981				1982			
	Year	Q-4	Q-1	Q-2	Q3	July	Aug.	Sept.	
<u>Banks</u>									
1. Change in net foreign positions of banking offices in the U.S. (+ = inflow)	-34.7	-19.9	-1.2	-14.6	-12.7	-9.6	4.4	-7.5	
a) with own foreign offices	-3.3	.8	6.9	-3.7	-9.4	-6.2	.2	-3.4	
b) all other	-31.3	-20.8	-8.2	-10.9	-3.3	-3.3	4.2	-4.1	
<u>Securities</u>									
2. Private securities transactions, net	1.4	-2.5	.8	2.1	-2.9	-.2	-1.1	-1.7	
a) Foreign net purchases (+) of U.S. corp. bonds	2.1	.2	.6	1.7	-.1	.2	-.1	-.2	
b) Foreign net purchases (+) of U.S. corp. stocks	4.7	.2	.7	.8	.3	.1	.4	-.3	
c) U.S. net purchases (-) of foreign securities	-5.5	-2.9	-.5	-.4	-3.1	-.5	-1.3	-1.2	
3. Foreign net purchases (+) of U.S. Treasury obligations <u>1/</u>	2.5	1.1	1.3	2.0	1.0	-1.3	.5	1.7	
<u>Official Capital</u>									
4. Changes in foreign official reserve assets in U.S. (+ = increase)	5.1	8.1	-3.0	1.6	2.6	1.5	-.6	1.7	
a) By area									
G-10 countries and Switzerland	-10.8	.8	-6.8	-4.7	1.6	1.2	.2	*	
OPEC	12.7	1.9	5.0	2.7	*	.4	-.6	.2	
All other countries	3.3	5.4	-1.1	3.6	1.1	-.2	-.2	1.4	
b) By type									
U.S. Treasury securities	5.0	4.4	-1.3	-2.1	4.9	4.7	-1.7	1.8	
Other <u>2/</u>	.1	3.7	-1.6	3.7	-2.3	-3.2	1.0	-.1	
5. Changes in U.S. official reserve assets (+ = decrease) <u>3/</u>	-3.3	-.4	.1	-.7	-.3	-.5	*	.2	
<u>Other transactions (Quarterly data)</u>									
6. U.S. direct investment (-) abroad	-8.7	-1.0	-0.1	2.3	n.a.	n.a.	n.a.	n.a.	
7. Foreign direct investment (+) in U.S.	21.3	9.3	1.2	2.7	n.a.	n.a.	n.a.	n.a.	
8. Other capital flows (+ = inflow) <u>4/</u> <u>5/</u>	-13.9	-3.3	-5.2	1.1	n.a.	n.a.	n.a.	n.a.	
9. U.S. current account balance <u>5/</u>	4.5	-0.9	1.1	2.1	n.a.	n.a.	n.a.	n.a.	
10. Statistical Discrepancy <u>5/</u>	25.8	9.5	5.0	1.4	n.a.	n.a.	n.a.	n.a.	
<u>MEMO:</u>									
U.S. merchandise trade balance -- part of line 9 (Balance of payments basis, seasonally adjusted)	-27.9	-9.2	-5.9	-5.8	-13.1	-3.1	-6.4	-3.6	

1/ Includes U.S. Treasury notes publicly issued to private foreign residents.

2/ Includes deposits in banks, commercial paper, acceptances, & borrowing under repurchase agreements.

3/ Includes newly allocated SDR's of \$1.1 billion in January 1981.

4/ Includes U.S. government assets other than official reserves, transactions by nonbanking concerns, allocations of SDRs, and other banking and official transactions not shown elsewhere.

5/ Includes seasonal adjustment for quarterly data.

\*/ Less than \$50 million.

NOTE: Details may not add to total because of rounding.

Corrigenda:

Domestic Nonfinancial

Part 2, page II-19:

In the last line of the table, change "7.3" and "6.5" in the two right-hand columns to read "8.1" and "6.9". A corrected version of the table follows on the next page.

International

Part 2, page IV-2, bottom panel:

The solid line represents the interest rate on U.S. CDs. The dashed line is a weighted-average of foreign interbank rates. The spike in the U.S. CD rate on October 21 is an error; the value should be 8.9 rather than 9.9.

SELECTED MEASURES OF LABOR COSTS  
IN THE NONFARM BUSINESS SECTOR  
(Percentage change at annual rates; quarterly  
changes based on seasonally adjusted data)

	1980	1981	1981 Q4	1982 Q1	1982 Q2	1982 Q3	Year-to- date
<u>Hourly Earnings Index, wages - production workers<sup>1</sup></u>							Dec. 1981- Oct. 1982
Total private nonfarm	9.6	8.4	7.3	6.5	6.4	6.2	6.0
Manufacturing	10.9	8.8	7.7	8.7	6.6	6.3	6.4
Contract construction	7.7	8.1	8.8	9.0	2.3	3.5	4.8
Transportation and public utilities	9.3	8.5	7.7	7.4	6.0	4.3	5.7
Trade	8.8	7.1	4.3	3.8	6.4	4.5	4.8
Services	9.5	9.1	9.2	5.1	7.6	8.4	6.5
<u>Employment Cost Index, wages and salaries - all persons<sup>2</sup></u>							1981-Q4 to 1982-Q3
Total	9.0	8.8	7.9	7.6	4.8	7.2	6.5
By occupation:							
White collar	8.7	9.1	9.1	7.5	5.3	8.0	6.9
Blue collar	9.6	8.6	7.3	6.6	3.8	6.6	5.7
Service workers	8.1	8.3	6.8	8.2	8.3	6.3	7.6
By bargaining status:							
Union	10.9	9.6	9.1	7.6	5.8	8.2	7.2
Nonunion	8.0	8.5	7.6	7.3	3.7	8.7	5.3
<u>Major Collective Bargaining Settlements (First-year adjustments)</u>							First 9 mo. 1982
Contracts with COLAs	8.0	8.0					2.2
Contracts without COLAs	11.7	10.6					7.1
<u>Labor Costs and Productivity - all persons<sup>1</sup></u>							1981-Q4 to 1982-Q3
Compensation per hour	10.6	8.8	7.3	7.7	6.1	6.6	6.7
Output per hour	.3	-.1	-3.5	.6	.8	3.6	1.6
Unit labor costs	10.2	8.9	11.2	7.1	5.2	2.9	5.0
<u>Employment Cost Index, Compensation<sup>3</sup></u>							1981-Q4 to 1982-Q3
Compensation per hour	9.8	9.8	8.1	7.1	5.4	8.1	6.9

1. Changes over periods longer than one quarter are measured from final quarter of preceding period to final quarter of period indicated. Quarterly changes are at compound rates.

2. Percent change from final month of preceding period to final month of period indicated. Quarterly changes are compounded; seasonal adjustment by FRB staff.

3. Not seasonally adjusted.