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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

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### DOMESTIC NONFINANCIAL ECONOMY

#### Wholesale inventories

Wholesale inventories rose at an annual rate of \$6 billion in October--quite moderate compared with the \$21 billion accumulation in the third quarter. Inventories of motor vehicles posted another fairly sizable increase, and stocks of apparel and piece goods also rose significantly. Elsewhere, wholesale inventory changes were generally small.

Wholesale sales rose 1.9 percent in October, with strong gains in both durable and nondurable categories. As a result, the wholesalers' inventory-sales ratio fell from 1.29 to 1.27--the lowest level this year.

WHOLESALE TRADE INVENTORIES: CHANGE IN BOOK VALUE  
(Billions of dollars; seasonally adjusted; annual rate)

	1987	1988			1988			
	Q4	Q1	Q2	Q3	July	Aug.	Sept. <sup>r</sup>	Oct. <sup>p</sup>
Total (Previous)	21.9	26.5	13.1	21.1	27.7	22.3	13.4 2.5	6.1
Durable	15.0	22.8	-4.1	18.5	24.3	11.8	19.3	4.3
Nondurable	6.9	3.7	17.2	2.6	3.3	10.5	-6.0	1.7
Excluding farm	7.1	1.0	6.2	3.0	3.2	7.4	-1.6	4.2
Farm	-.1	2.7	11.0	-.4	.1	3.1	-4.4	-2.4

Note: Totals may not add because of rounding.

WHOLESALE TRADE INVENTORY-TO-SALES RATIO

	1987	1988			1988			
	Q4	Q1	Q2	Q3	July	Aug.	Sept. <sup>r</sup>	Oct. <sup>p</sup>
Total	1.28	1.31	1.30	1.30	1.28	1.29	1.29	1.27
Durable	1.72	1.78	1.70	1.74	1.71	1.72	1.73	1.71
Nondurable	.86	.86	.92	.88	.88	.88	.88	.86

r--Revised.  
p--Preliminary.

MONETARY AGGREGATES  
(based on seasonally adjusted data unless otherwise noted)

	1987 <sup>1</sup>	1988 Q2	1988 Q3	1988 Sep	1988 Oct	1988 Nov pe	Growth Q4 87- Nov 88pe
-----Percent change at annual rates-----							
1. M1	6.2	6.3	5.2	-0.3	1.8	0	4
2. M2	4.0	7.7	3.6	1.0	1.2	6	5½
3. M3	5.4	7.7	5.7	1.7	4.7	6	6½
-----Percent change at annual rates-----							
							Levels bil. \$ Oct 88
<u>Selected components</u>							
4. M1-A	2.8	3.9	3.4	-0.7	3.1	-2	505.5
5. Currency	8.7	8.4	7.1	7.5	5.8	5	209.5
6. Demand deposits	-1.0	1.0	0.7	-7.0	0.8	-7	288.6
7. Other checkable deposits	13.6	10.6	8.8	0.9	-1.3	5	277.9
8. M2 minus M1 <sup>2</sup>	3.3	8.2	3.1	1.4	1.0	8	2253.7
9. Overnight RPs and Eurodollars, NSA	4.1	3.0	-4.0	-37.5	-29.4	-38	75.7
10. General purpose and broker/dealer money market mutual fund shares, NSA	5.8	3.3	-3.1	0.0	2.1	35	231.2
11. Commercial banks	2.5	6.8	5.1	4.0	8.1	12	971.5
12. Savings deposits, SA, plus MMDAs, NSA <sup>3</sup>	1.8	3.2	1.2	-7.9	-4.0	9	542.2
13. Small time deposits	3.5	11.8	10.2	20.0	23.4	17	429.2
14. Thrift institutions	3.5	9.1	2.7	1.6	-0.1	1	976.4
15. Savings deposits, SA, plus MMDAs, NSA <sup>3</sup>	0.8	2.3	0.4	-10.7	-12.6	-7	395.8
16. Small time deposits	5.6	14.0	4.5	10.1	9.0	6	580.7
17. M3 minus M2 <sup>4</sup>	11.2	7.4	13.7	4.1	17.4	6	831.4
18. Large time deposits	8.5	7.6	15.8	20.0	14.4	2	530.0
19. At commercial banks, net <sup>5</sup>	11.2	6.7	21.5	18.0	14.6	1	356.7
20. At thrift institutions	3.4	9.3	4.5	24.3	14.0	3	173.3
21. Institution-only money market mutual fund shares, NSA	3.0	-30.6	-23.3	-4.3	12.9	40	84.6
22. Term RPs, NSA	32.9	28.3	12.0	-15.6	26.7	30	124.2
23. Term Eurodollars, NSA	13.8	19.8	38.1	-10.6	-24.9	39	99.3
-----Average monthly change in billions of dollars-----							
<u>MEMORANDA:<sup>6</sup></u>							
24. Managed liabilities at commercial banks (25+26)	6.2	7.8	1.8	-8.3	0.8	4	601.5
25. Large time deposits, gross	3.5	1.5	6.4	6.1	4.0	0	423.7
26. Nondeposit funds	2.7	6.3	-4.6	-14.4	-3.2	4	177.8
27. Net due to related foreign institutions, NSA	2.9	3.9	0.1	-9.5	-4.3	5	4.8
28. Other <sup>7</sup>	-0.2	2.4	-4.7	-4.9	1.1	-1	173.0
29. U.S. government deposits at commercial banks <sup>8</sup>	0.3	-1.0	0.8	8.7	6.2	-9	30.7

1. Amounts shown are from fourth quarter to fourth quarter.
  2. Nontransactions M2 is seasonally adjusted as a whole.
  3. Commercial bank savings deposits excluding MMDAs grew during October and November at rates of -2.5 percent and 19 percent, respectively. At thrift institutions, savings deposits excluding MMDAs grew during October and November at rates of -8.9 percent and -1 percent, respectively.
  4. The non-M2 component of M3 is seasonally adjusted as a whole.
  5. Net of large denomination time deposits held by money market mutual funds and thrift institutions.
  6. Dollar amounts shown under memoranda are calculated on an end-month-of-quarter basis.
  7. Consists of borrowing 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 borrowing from the Federal Reserve and unaffiliated foreign banks, loan RPs and other minor items). Data are partially estimated.
  8. Consists of Treasury demand deposits and note balances at commercial banks.
- pe - preliminary estimate

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

	1986:Q4	1988					Levels
	to						bil.\$
	1987:Q4	Q2	Q3	Sept.	Oct.	Nov. <sup>P</sup>	Nov. <sup>P</sup>
----- Commercial Bank Credit -----							
1. Total loans and securities at banks	7.9	11.6	4.3	-.7	7.1	5.8	2397.6
2. Securities	5.0	8.3	-.2	-.4	8.3	1.7	551.3
3. U.S. government securities	9.6	12.1	2.3	6.8	8.9	4.1	356.3
4. Other securities	-1.9	1.6	-4.7	-13.4	7.4	-2.5	195.0
5. Total loans	8.9	12.6	5.6	-.8	6.8	7.0	1846.3
6. Business loans	7.0	15.2	3.2	-4.4	7.6	-2.4	599.2
7. Security loans	.8	-18.4	-30.5	-113.7	69.4	-28.1	37.5
8. Real estate loans	18.8	13.3	12.6	11.5	13.4	12.5	658.8
9. Consumer loans	5.1	9.9	5.5	7.3	2.4	7.9	351.1
10. Other loans	-3.1	13.8	-1.6	-18.4	-21.6	22.7	199.7
----- Short- and Intermediate-Term Business Credit -----							
1. Business loans net of bankers acceptances	7.2	15.5	3.1	-4.0	8.3	-2.2	596.0
12. Loans at foreign branches <sup>2</sup>	-4.1	4.1	24.1	66.0	34.1	-16.6	21.4
13. Sum of lines 11 & 12	6.8	15.1	3.8	-1.8	9.0	-2.7	617.4
14. Commercial paper issued by nonfinancial firms	-1.6	12.2	-4.8	-1.3	39.9	24.4	95.2
15. Sum of lines 13 & 14	5.7	14.7	2.6	-1.7	13.1	.8	712.6
16. Bankers acceptances: U.S. trade related <sup>3,4</sup>	13.3	-9.5	-7.3	-3.7	-18.6	n.a.	31.7 <sup>5</sup>
17. Line 15 plus bankers acceptances: U.S. trade related	6.0	13.5	2.2	-1.8	11.6	n.a.	744.2 <sup>5</sup>
18. Finance company loans to business <sup>3</sup>	19.3	12.1	10.9	18.2	n.a.	n.a.	227.2 <sup>6</sup>
19. Total short- and intermediate-term business credit (sum of lines 17 & 18)	8.8	13.2	4.2	2.9	n.a.	n.a.	964.4 <sup>6</sup>

1. Average of Wednesdays.

2. Loans at foreign branches are loans made to U.S. firms by foreign branches of domestically chartered banks.

3. Based on average of data for current and preceding ends of month.

4. Consists of acceptances that finance U.S. imports, U.S. exports, and domestic shipment and storage of goods.

5. October data.

6. September data.

n.a.--not available.

p--preliminary

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

	1987		1988			Change from:
	Jan.-Feb. lows	Oct. 16 <sup>2</sup>	Feb lows	FOMC Nov. 1	Dec. 8	FOMC Nov. 1
<b>Short-term rates</b>						
Federal funds <sup>3</sup>	5.95	7.59	6.38	8.31	8.58	.27
Treasury bills <sup>4</sup>						
3-month	5.30	6.93	5.59	7.34	7.98	.64
6-month	5.31	7.58	5.77	7.47	8.20	.73
1-year	5.35	7.74	6.10	7.49	8.24	.75
Commercial paper						
1-month	5.81	7.94	6.41	8.19	9.24	1.05
3-month	5.73	8.65	6.45	8.29	9.08	.79
Large negotiable CDs <sup>4</sup>						
1-month	5.85	7.92	6.44	8.19	9.32	1.13
3-month	5.80	8.90	6.49	8.40	9.20	.80
6-month	5.78	9.12	6.55	8.41	9.19	.78
Eurodollar deposits <sup>5</sup>						
1-month	6.00	7.79	6.60	8.25	8.45	1.20
3-month	6.00	8.69	6.69	8.56	9.20	.64
Bank prime rate	7.50	9.25	8.50	10.00	10.50	.50
<b>Intermediate- and long-term rates</b>						
U.S. Treasury (constant maturity)						
3-year	6.34	9.52	7.28	8.33	9.03	.70
10-year	7.01	10.23	8.11	8.68	9.02	.34
30-year	7.29	10.24	8.32	8.76	8.97	.21
Municipal revenue <sup>6</sup> (Bond Buyer)	6.92	9.58e	7.76	7.70	7.96	.26
Corporate A utility (recently offered)	8.78	11.50	9.63	9.96	10.03	.07
Home mortgage rates <sup>7</sup>						
S&L fixed-rate	9.10	11.58	9.84	10.22	10.44	.22
S&L ARM, 1-yr.	7.52	8.45	7.59	8.13	8.26	.13

	1986	1987		1988		Percent change from:
	Year-end	Record highs	Lows	FOMC Nov. 1	Dec. 8	FOMC Nov. 1
<b>Stock prices</b>						
Dow-Jones Industrial	1895.95	2722.42	1738.74	2150.96	2141.71	-.43
NYSE Composite	138.58	187.99	125.91	156.98	155.37	-1.03
AMEX Composite	263.27	365.01	231.90	299.56	297.38	-.73
NASDAQ (OTC)	348.83	455.26	291.88	382.35	375.22	-1.86

1. One-day quotes except as noted.  
 2. Last business day prior to stock market decline on Monday, October 19, 1987.  
 3. Average for two-week maintenance period closest to date shown except lows shown which are one-week average ending Feb. 25 and Feb. 10, respectively. Last observation is average to date for maintenance period ending 12/14/88.

4. Secondary market.  
 5. Average for statement week closest to date shown.  
 6. Based on one-day Thursday quotes and futures-market index changes.  
 7. Quotes for week ending Friday closest to date shown.  
 e--estimate