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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	
Productivity and Labor Costs . . . . .	1
Savings and Loans Mortgage Commitments . . . . .	1
TABLES:	
Labor Productivity and Costs . . . . .	2
Mortgage Activity at Savings and Loan Associations .	3
THE DOMESTIC FINANCIAL SITUATION	
TABLES:	
Monetary Aggregates . . . . .	4
Commercial Bank Credit . . . . .	5
Selected Financial Market Quotations . . . . .	6
INTERNATIONAL DEVELOPMENTS	7
TABLE:	
U.S. Merchandise Trade . . . . .	8

## SUPPLEMENTAL NOTES

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### Productivity and Labor Costs

Output per hour of all persons in the private nonfarm business sector of the economy declined in the final quarter of 1980 at an annual rate of 1.1 percent. This decline reflected an even larger increase in hours of employment in the quarter than the 6-1/2 percent per year rise in real output. In the third quarter, when the increase in real output was much smaller--and hours worked continued to decline, productivity rose at a 3.7 percent rate. Over 1980 as a whole, productivity in the private nonfarm business sector was little changed. Compensation per hour continued to rise sharply in the fourth quarter, and unit labor costs again rose at nearly an 11 percent rate. Over the year, both compensation per hour and unit labor cost increased 10 percent.

### Savings and Loans Mortgage Commitments

New mortgage commitments made by savings and loan associations in December were virtually unchanged after allowance for the usual seasonal change from the volume in November, when they declined more than 20 percent from October and were more than a third below the September peak. The volume of S&L mortgage commitments outstanding including loans in process, seasonally adjusted, edged down slightly in December to \$27.3 billion and were 2-1/2 percent below the recent peak in September. Mortgage holdings at S&Ls rose \$3.1 billion, seasonally adjusted, in December, down from increases of \$3.6 billion in November and \$4.5 billion in October.

LABOR PRODUCTIVITY AND COSTS  
(Percent change at annual rates;  
based on seasonally adjusted data)<sup>1</sup>

	1978	1979	1980	1980		
				Q2	Q3	Q4
<u>Output per hour</u>						
Total private business	-0.3	-0.9	-0.3	1.9	1.5	-1.9
Nonfarm business	-0.4	-1.1	-0.1	-3.0	3.7	-1.1
Manufacturing	0.8	0.2	1.3	4.1	-0.7	10.6
Durable	0.1	-0.8	0.8	-2.8	-3.4	12.0
Nondurable	2.1	1.7	1.7	-6.7	2.9	9.0
<u>Compensation per hour</u>						
Total private business	9.0	9.9	10.2	12.2	9.7	8.5
Nonfarm business	9.1	9.6	10.0	11.2	9.2	9.6
Manufacturing	8.4	9.4	12.1	15.5	12.7	10.1
Durable	8.1	9.2	13.2	16.5	13.1	11.4
Nondurable	8.6	9.9	10.3	15.7	12.4	7.0
<u>Unit labor costs</u>						
Total private business	9.5	10.9	10.5	14.4	8.1	10.6
Nonfarm business	9.6	10.9	10.1	14.6	5.3	10.9
Manufacturing	7.5	9.3	10.7	20.5	13.6	-0.4
Durable	7.9	10.1	12.3	19.9	17.1	-0.5
Nondurable	6.4	8.1	8.5	24.0	9.2	-1.9

1. Changes are from final quarter of preceding period to final quarter of period indicated.

MORTGAGE ACTIVITY AT SAVINGS AND LOAN ASSOCIATIONS<sup>1</sup>  
 (Billions of dollars, seasonally adjusted)

Date	New mortgage commitments	Outstanding commitments (including loans in process)	Net change in mortgage holdings
1978-High	10.32 (Jan.)	33.37 (Oct.)	4.78 (Feb.)
Low	9.12 (Sept.)	31.91 (July)	3.82 (July)
1979-High	9.53 (May)	32.74 (Sept.)	4.65 (May)
Low	4.97 (Dec.)	28.08 (Dec.)	1.47 (Dec.)
1980-Jan.	5.79	27.47	2.13
Feb.	7.01	27.12	2.56
Mar.	4.79	23.97	1.83
Apr.	3.27	20.70	0.86
May	3.04	19.28	-0.44
June	5.29	20.70	-0.24
July	8.48	23.67	1.77
Aug.	9.93	26.73	3.59
Sept.	10.00	28.02	4.44
Oct.	8.34	27.67	4.51
Nov. r	6.53	27.78	3.63
Dec. p	6.56	27.29	3.10

1. Data on outstanding commitments and net change in mortgage holdings are for all operating S&Ls. Data on new commitments are available only for insured S&Ls; however, insured S&Ls account for approximately 98 percent of the assets of all operating S&Ls.

r--revised.

p--preliminary.

MONETARY AGGREGATES

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

	1980						QIV '79	1981
	Q2	Q3	Q4	Oct.	Nov.	Dec.	to QIV '80	Jan. <sup>e</sup>
---- Percentage change at annual rates ----								
<u>Money stock measures</u>								
1. M-1A	-4.4	11.5	8.1	9.1	6.5	-11.1	5.0	-34.3
2. M-1B	-2.6	14.6	10.8	11.8	8.7	-9.0	7.3	16.3
3. M-2	5.6	16.0	9.2	8.8	10.4	2.7	9.8	9.7
4. M-3	5.8	13.0	11.7	10.8	15.2	8.2	10.0	14.1
<u>Selected components</u>								
5. Currency	7.4	11.3	9.2	12.6	7.3	6.2	9.3	2.1
6. Demand deposits	-9.1	11.5	7.7	7.6	6.2	-18.5	3.2	-50.1
7. Other checkable deposits, NSA <sup>2</sup>	35.6	75.5	54.9	53.7	42.0	22.6	58.7	739.5
8. M-2 minus M-1B (9+10+11+14)	8.3	16.4	8.7	7.9	10.9	6.6	10.7	5.8
9. Overnight RPs and Eurodollars, NSA <sup>3</sup>	-57.4	135.6	19.2	-18.2	3.7	18.4	22.9	61.6
10. Money market mutual fund shares, NSA	82.7	75.7	-15.5	-12.3	-6.2	-18.7	90.3	76.0
11. Commercial banks	9.7	11.3	10.8	10.5	15.5	7.3	10.0	1.2
12. savings deposits	-21.7	27.5	1.7	10.0	-8.7	-40.0	-3.5	-53.6
13. small time deposits	33.1	0.7	17.1	11.3	31.6	39.6	21.3	35.9
14. Thrift institutions	3.6	9.5	9.6	9.4	10.1	8.2	5.7	-1.6
15. savings deposits	-24.9	28.1	-2.8	2.7	-27.2	-40.1	-5.5	-36.3
16. small time deposits	18.1	1.1	15.6	12.8	28.5	31.3	11.8	13.6
17. Large time deposits	9.2	-11.6	25.5	15.9	47.0	47.7	10.0	46.9
18. at commercial banks, net <sup>4</sup>	5.8	-16.3	21.1	8.9	45.4	45.5	4.4	50.3
19. at thrift institutions	28.9	14.6	47.7	50.8	57.9	55.2	47.0	42.6
20. Term RPs, NSA	-6.7	47.8	41.5	71.6	33.8	0.0	15.7	52.6

--Average monthly change in billions of dollars--

MEMORANDA:

21. Managed liabilities at commercial banks (22+23)	-6.3	-0.3	n.a.	6.2	n.a.	n.a.	n.a.	n.a.
22. Large time deposits, gross	0.1	0.4	6.2	2.8	7.7	8.2	1.8	9.9
23. Nondeposit funds	-6.4	-0.7	n.a.	3.4	n.a.	n.a.	n.a.	n.a.
24. Net due to related foreign institutions, NSA	-6.1	-1.9	-0.6	0.6	-2.0	-0.5	-2.0	n.a.
25. Other <sup>5</sup>	-0.3	1.2	n.a.	2.8	n.a.	n.a.	n.a.	n.a.
26. U.S. government deposits at commercial banks <sup>6</sup>	0.4	1.3	-1.7	1.4	-7.1	0.7	0.1	0.8

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.

n.a.--Not available. e--estimated.

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

	1980						QIV '79	Dec. '79
	Q2	Q3	Q4 <sup>e</sup>	Oct. <sup>e</sup>	Nov. <sup>e</sup>	Dec. <sup>e</sup>	to QIV '80 <sup>e</sup>	to Dec. '80 <sup>e</sup>
----- Commercial Bank Credit -----								
1. Total loans and investments at banks <sup>2</sup>	-4.4	13.5	14.4	13.3	16.6	12.7	7.9	8.9
2. Investments	11.0	21.6	11.8	13.7	13.6	7.8	12.9	13.5
3. Treasury securities	10.6	39.6	11.3	14.6	15.6	3.3	15.2	16.8
4. Other securities	11.2	12.9	12.1	13.3	12.6	10.2	11.6	11.9
5. Total loans <sup>2</sup>	-9.6	10.7	15.3	13.2	17.7	14.4	6.3	7.4
6. Business loans	-9.6	14.4	22.3	23.0	24.1	18.7	9.9	11.2
7. Security loans	-23.8	-10.1	-64.9	39.0	75.5	71.0	-11.5	-2.2
8. Real estate loans	1.0	5.6	11.4	11.4	10.3	12.1	7.8	7.6
9. Consumer loans	-16.7r	-7.8r	n.a.	-1.4r	-2.1r	n.a.	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)	0.6	8.0r	n.a.	17.2r	19.0r	n.a.	n.a.	n.a.
11. Business loans net of bankers acceptances <sup>1</sup>	-11.1	13.5	25.9	26.6	26.8	22.7	10.0	11.8
12. Commercial paper issued by nonfinancial firms <sup>3</sup>	62.6r	-19.3r	-3.0r	-33.5r	6.3r	18.7r	33.0r	29.0r
13. Sum of lines 11 & 12	-2.9r	9.3r	22.5r	19.6r	24.5r	22.3r	12.0r	13.5r
14. Finance company loans to business <sup>4</sup>	-4.0	-7.5	n.a.	7.0	22.8	n.a.	n.a.	n.a.
15. Total bankers acceptances outstanding <sup>4</sup>	32.3	20.2	n.a.	14.9	19.0	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.

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



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

	1980			1981		Change from:		
	Mid June* Low	Dec. High	FOMC Dec. 19	Jan. 6	Jan. 29	Dec. High	FOMC Dec. 19	Jan. 6
<b>Short-term rates</b>								
Federal funds <sup>2</sup>	8.99	19.83	19.83	20.06	18.12	-1.71	-1.71	-1.94
Treasury bills								
3-month	6.18	17.14	14.93	13.58	14.87	-2.27	-.06	1.29
6-month	6.60	15.74	14.17	13.16	13.92	-1.82	-.25	.76
1-year	7.00	14.06	12.93	11.88	12.67	-1.39	-.26	.79
Commercial paper								
1-month	7.98	20.77	20.04	17.02	16.69	-4.08	-3.35	-.33
3-month	7.78	19.88	19.06	15.31	16.14	-3.74	-2.92	.83
6-month	7.59	18.58	16.90	14.25	14.81	-3.77	-2.09	.56
Large negotiable CDs <sup>3</sup>								
1-month	7.96	21.29	20.33	17.24	16.98	-4.31	-3.35	-.26
3-month	7.90	20.90	19.44	15.75	16.80	-4.10	-2.64	1.05
6-month	7.66	19.19	17.45	14.84	15.81	-3.38	-1.64	.97
Eurodollar deposit <sup>2</sup>								
1-month	8.88	22.54	22.54	18.75	19.64	-2.90	-2.90	.89
3-month	8.99	21.36	21.36	17.06	18.56	-2.80	-2.80	1.50
Bank prime rate	12.00	21.50	21.50	20.50	20.00	-1.50	-1.50	-.50
<b>Intermediate- and long-term rates</b>								
U.S. Treasury (constant maturity)								
3-year	8.56	14.41	13.66	12.31	13.16	-1.25	-.50	.85
10-year	9.47	13.57	12.64	12.11	12.80	-.77	.16	.69
30-year	9.49	13.17	12.22	11.67	12.38	-.79	.16	.71
Municipal (Bond Buyer)	7.44	10.56	10.56	9.76 <sup>4</sup>	9.91	-.65	-.65	-.15
Corporate Aaa								
New issue	10.53	14.51	—	— <sup>5</sup>	13.95 <sup>P</sup>	-.56	—	—
Recently offered	10.79	15.03	14.25	14.15 <sup>6</sup>	14.11 <sup>P</sup>	-.92	-.14	-.04
Primary conventional mortgages	12.35	14.95	14.95	14.95 <sup>6</sup>	14.85 <sup>6</sup>	-.10	-.10	-.10
	Mid-Oct. High	Mar.-Apr. Low	FOMC Dec. 19	Jan. 6	Jan. 29	Mar.-Apr. Low	FOMC Dec. 19	Jan. 6
<b>Stock Prices</b>								
Dow-Jones Industrial	972.44	759.13	937.20	1004.69	948.89	189.76	11.69	- 5.58
NYSE Composite	77.24	55.30	76.86	79.14	74.69	19.39	-2.17	-4.45
AMEX Composite	363.33	215.69	347.58	353.59	346.59	130.90	-.99	- 7.00
NASDAQ (OTC)	199.43	124.09	197.91	204.07	197.88	73.79	-.03	-6.19

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.

\* Most lows occurred on or around June 13.

International Developments

Merchandise trade data released Wednesday afternoon brought the trade deficit for the fourth quarter to \$26 billion at an annual rate (Census basis, c.i.f. value), somewhat more than in the third quarter but considerably smaller than deficits recorded earlier in the year. See the table below. Data on an international accounts basis will be released on Thursday, February 5.

The values of agricultural and nonagricultural exports were both slightly higher than in the third quarter (increases in automotive shipments to Canada and in gold offsetting declines in machinery and other industrial supplies).

The increase in imports in the fourth quarter was largely the result of higher oil imports. The volume of fourth quarter oil imports averaged 6.5 million barrels per day (including oil imported into the U.S. Virgin Islands) about 8 percent more than the very low third quarter rate. The price of imported oil averaged about 80 cents per barrel more than in the third quarter.

U.S. Merchandise Trade  
(in billions of dollars, seasonally adjusted, annual rates)

	C.I.F. Valuation			International Accounts Balance
	Exports	Imports <sup>1/</sup>	Balance <sup>1/</sup>	
1979 - Year	181.6	218.9	-37.3	-29.5
1980 - Year	220.5	252.8	-32.3	n.a.
1980 - Q1	212.5	266.3	-53.8	-43.4
Q2	219.2	250.9	-31.8	-30.0
Q3	223.5	241.7	-18.2	-11.3
Q4	227.4	253.4	-26.0	n.a.
July	216.9	239.1	-22.2	-5.8
Aug.	229.2	242.0	-12.7	-13.9
Sept.	224.4	244.1	-19.7	-14.2
Oct.	229.1	251.4	-22.3	-12.4
Nov.	223.6	243.6	-20.0	-25.0
Dec.	229.4	265.1	-35.7	n.a.

<sup>1/</sup> C.I.F. value