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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

Industrial Production

Industrial production rose 0.4 percent in April, following increases of 0.5 percent and -0.1 percent in March and February, respectively. In April, increases were widespread among most market groupings, but the coal strike reduced the rate of growth in the total index by 0.3 percentage point. Production of business equipment-- particularly manufacturing, commercial, and building and mining equipment-- are now indicated to have increased sharply in both March and April.

Capacity Utilization

Capacity utilization in manufacturing increased 0.3 percentage point in April to 80.3 percent. Increases were widespread among major industries. Primary processing industries operated at 80.5 percent, up from 80.2 percent in March, and advanced processing industries operated at 80.2 percent, up from 79.9 percent. The capacity utilization rate for materials producers declined in April to 81.0 percent from 81.4 percent in March. The utilization rate for producers of energy materials dropped sharply because of reduced coal production. Small declines in utilization rates also occurred for producers of both ferrous and non-ferrous metals and the related mining activities.

Manufacturing and Trade Inventories

The book value of manufacturing and trade inventories rose at a \$12.5 billion annual rate in March, following an upward revised increase in February at a \$68.4 billion rate. In March, stocks held by retail trade stores and by merchant wholesalers were reduced, while those at manufacturing establishments were increased. The accumulation in March

by manufacturers was smaller than in either of the two preceding months, but for the quarter as a whole, these businesses increased stocks at a \$35.2 billion annual rate, ten times the rate of buildup in the fourth quarter of last year. Inventories of all manufacturing and trade in the first quarter rose at a \$40.5 billion annual rate, up from a \$13.7 billion rate of accumulation in the preceding quarter.

The ratio of the book value of inventories to sales for manufacturing and trade was unchanged in March at 1.36, down slightly from the ratio in December 1980. These ratios for retail and wholesale trade establishments in March were down a little from those at the end of last year, while the ratio for manufacturing was a little higher.

BUSINESS INVENTORIES
(Change at annual rates in seasonally
adjusted book value; billions of dollars)

	1980				1981			
	Q1	Q2	Q3	Q4	Jan.	Feb.(r)	Mar.(p)	Q1(p)
Manufacturing and trade	48.2	33.8	27.5	13.7	40.7	68.4	12.5	40.5
Manufacturing	41.1	20.4	-.1	3.5	47.0	33.9	24.7	35.2
Trade, total	7.1	13.3	27.6	10.2	-6.3	34.5	-12.2	5.3
Wholesale	7.1	10.9	18.5	10.3	-7.4	13.9	-10.2	-1.3
Retail	0.0	2.4	9.1	-.1	1.2	20.6	-2.0	6.6
Durable	-4.3	-2.9	1.1	.5	4.6	1.7	-7.4	-.4
Auto	-5.6	-4.3	.4	.5	2.7	-2.6	-11.2	-3.7
Nondurable	4.4	.3	7.9	-.5	3.4	18.9	5.4	7.0

Totals may not add due to rounding.

r = revised

p = preliminary

INVENTORY/SALES RATIOS

	1980				1981			
	Q1	Q2	Q3	Q4	Jan.	Feb.(r)	Mar.(p)	Q1(p)
Manufacturing and trade	1.41	1.50	1.45	1.38	1.35	1.36	1.36	1.36
Manufacturing	1.57	1.71	1.64	1.55	1.54	1.55	1.56	1.57
Trade, total	1.26	1.32	1.28	1.23	1.17	1.19	1.19	1.19
Wholesale	1.15	1.21	1.18	1.12	1.06	1.08	1.09	1.08
Retail	1.38	1.43	1.40	1.35	1.31	1.31	1.30	1.31

r = revised

p = preliminary

Erratum

Part 2, page III-2: Heading on last column should read
"FOMC Mar. 31".

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

	1980		1981			Apr. '80 to Apr. '81	
	Q3	Q4	Q1	Feb.	Mar.	Apr.	
---- Percentage change at annual rates ----							
<u>Money stock measures</u>							
1. M-1A	11.5	8.0	-18.6	-21.5	-5.2	0.3	-0.4
2. (Adjusted) ²	n.a.	n.a.	(0.3)	(0.9)	(7.2)	(14.2)	n.a.
3. M-1B	13.9	10.9	6.6	8.7	11.2	18.7	11.1
4. (Adjusted) ²	n.a.	n.a.	(1.1)	(1.5)	(7.3)	(13.9)	n.a.
5. M-2	15.7	8.1	8.4	9.8	15.2	11.8	11.8
6. M-3	13.1	10.3	12.0	10.8	9.3	9.8	11.9
<u>Selected components</u>							
7. Currency	10.9	8.5	5.9	7.2	6.1	11.2	9.1
8. Demand deposits	11.8	8.0	-29.2	-34.6	-10.6	-4.9	-4.4
9. Other checkable deposits	58.0	57.6	380.2	272.0	123.4	136.8	224.1
10. M-2 minus M-1B (11+12+13+16)	16.4	7.2	9.0	10.1	16.5	9.6	12.0
11. Overnight RPs and Eurodollars, NSA ³	135.6	15.4	0.0	-33.1	45.4	-43.8	43.4
12. Money market mutual fund shares, NSA	75.7	-15.5	84.5	174.0	171.4	130.7	93.9
13. Commercial banks	10.8	9.8	5.6	0.7	6.7	2.0	8.0
14. savings deposits	22.9	1.7	-31.2	-23.0	-9.7	-2.1	-3.0
15. small time deposits	2.9	15.4	30.0	14.2	16.0	4.2	15.3
16. Thrift institutions	9.7	7.8	3.2	-0.4	0.7	-1.4	5.9
17. savings deposits	22.8	-2.4	-30.7	-22.8	-9.2	-4.3	-5.1
18. small time deposits	3.6	12.8	19.1	9.1	5.0	-0.5	11.0
19. Large time deposits	-9.5	21.8	36.2	22.8	-17.3	-3.7	11.6
20. at commercial banks, net ⁴	-14.3	17.6	36.5	21.9	-20.9	-4.5	8.4
21. at thrift institutions	19.1	42.9	32.9	30.0	0.0	-0.0	29.2
22. Term RPs, NSA	47.8	41.5	14.4	-27.8	-66.5	10.1	24.1
--Average monthly change in billions of dollars--							
<u>MEMORANDA:</u>							
23. Managed liabilities at commercial banks (24+25)	-0.3	7.7	4.2	3.0	-6.8	-1.6	2.1
24. Large time deposits, gross	0.3	5.6	4.4	4.5	-2.3	2.7	2.9
25. Nondeposit funds	-0.6	2.1	-0.2	-1.5	-4.5	-4.3	-0.8
26. Net due to related foreign institutions, NSA	-1.9	-0.2	-1.5	0.1	-4.6	-4.1	-2.3
27. Other ⁵	1.3	2.4	1.3	-1.7	0.2	-0.2	1.5
28. U.S. government deposits at commercial banks ⁶	0.8	-1.0	1.1	1.2	3.5	0.6	0.3

1. Quarterly growth rates are computed on a quarterly average basis.

2. Figures in parentheses have been adjusted to remove the distorting effects since the beginning of 1981 of shifts of funds out of demand deposits and other accounts into NOW accounts. Based on a variety of evidence, it is estimated that 77-1/2 percent of inflows into other checkable deposits--in excess of "trend"--was from demand deposits in January, and 72-1/2 percent in February, March and April.

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. Changes since October 1980 are partially estimated.

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)¹

	1980			1981				Apr. 80 to Apr. 81
	Q2	Q3	Q4	Q1	Feb.	Mar.	Apr.	
----- Commercial Bank Credit -----								
1. Total loans and investments at banks ²	-4.1	12.9	14.6	7.8	8.1	-0.6	4.4	8.6
2. Investments	12.0	20.5	11.9	10.5	9.8	2.2	.7	14.6
3. Treasury securities	13.1	39.1	11.1	15.2	18.0	-4.2	4.2	22.9
4. Other securities	11.4	11.5	12.3	8.0	5.6	5.5	-3.3	10.6
5. Total loans ²	-9.4	10.2	15.6	6.7	7.4	-1.5	6.4	6.7
6. Business loans ²	-9.3	15.2	21.2	8.1	4.7	2.5	3.6	9.7
7. Security loans	-17.1	-10.2	60.1	25.0	-32.1	33.0	64.2	22.4
8. Real estate loans	1.9	4.5	11.0	9.4	12.4	9.1	7.2	6.9
9. Consumer loans	-16.9	-7.6	-0.2	-1.4	-4.1	2.1	n.a.	n.a.
-- Short- and Intermediate-Term Business Credit --								
10. Total short- and intermediate-term business credit (sum of lines 14, 15 and 16)	2.5	9.0	14.4	15.4	15.6	14.2	n.a.	n.a.
11. Business loans net of bankers acceptances	-10.7	14.3	24.1	7.6	4.5	3.3	.4	9.3
12. Commercial paper issued by nonfinancial firms ³	62.6	-19.3	-3.0	30.7	23.8	29.2	-11.4	14.9
13. Sum of lines 11 & 12	-2.9	10.1	21.0	10.5	7.3	6.2	-1.0	9.9
14. Line 13 plus loans at foreign branches ⁴	-0.6	9.6	19.4	13.7	11.4	10.3	.6	11.0
15. Finance company loans to business ⁵	-2.3	-4.6	14.6	8.5	6.6	-3.3	n.a.	n.a.
16. Total bankers acceptances outstanding ⁵	31.5	21.0	-15.7	35.6	56.2	62.3	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. Loans at foreign branches are loans made to U.S. firms by foreign branches of domestic-chartered banks.

5. Based on average of current and preceding ends of months.

n.a.--not available. e--estimate.

SELECTED FINANCIAL MARKET QUOTATIONS¹
(Percent)

	1980		1981		Change from:	
	Mid June* Low	Dec. High	FOMC Mar. 31	May 14	Dec. High	FOMC Mar. 31
<u>Short-term rates</u>						
Federal funds ²	8.99	19.83	14.93	18.21	-1.62	3.28
Treasury bills						
3-month	6.18	17.14	12.46	16.67	-.47	4.21
6-month	6.60	15.74	12.03	15.64	-.10	3.61
1-year	7.00	14.06	11.73	14.65	.59	2.92
Commercial paper						
1-month	7.98	20.77	13.74	18.57	-2.20	4.83
3-month	7.78	19.88	13.21	18.29	-1.59	5.08
6-month	7.59	18.58	12.88	17.25	-1.33	4.37
Large negotiable CDs ³						
1-month	7.96	21.29	13.72	18.80	-2.49	5.08
3-month	7.90	20.90	13.54	19.01	-1.89	5.47
6-month	7.66	19.19	13.52	18.50	-.69	4.98
Eurodollar deposit ²						
1-month	8.88	22.54	14.56	19.39	-3.15	4.83
3-month	8.99	21.36	14.78	19.56	-1.80	4.78
Bank prime rate	12.00	21.50	17.50	19.50	-2.00	2.00
<u>Intermediate- and long-term rates</u>						
U.S. Treasury (constant maturity)						
3-year	8.56	14.41	13.27	15.38	.97	2.11
10-year	9.47	13.57	13.13	14.24	.67	1.11
30-year	9.49	13.17	12.65	13.66	.49	1.01
Municipal (Bond Buyer)	7.44	10.56	10.09 ⁴	10.83	.27	.74
Corporate Aaa						
New issue	10.53	14.51	15.07 ⁵	15.83 ^P	1.32	.76
Recently offered	10.79	15.03	14.71 ⁶	15.73 ^P	.70	1.02
Primary conventional mortgages	12.35	14.95	15.40 ⁶	16.12 ⁶	1.17	.72
	<u>1980</u>	<u>1981</u>	<u>1981</u>		<u>Percent change from:</u>	
	Mid-Oct. High	Mar.-Apr. Low	FOMC Mar. 31	May.14	Mar.-Apr. Low	FOMC Mar.31
<u>Stock Prices</u>						
Dow-Jones Industrial	972.44	759.13	1,003.87	973.07	28	-3
NYSE Composite	77.24	55.30	78.27	76.02	37	-3
AMEX Composite	363.33	215.69	360.60	369.29	71	2
NASDAQ (OTC)	199.43	124.09	210.18	215.18	73	2

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.
6. One-day quotes for preceding Friday.
- * Most lows occurred on or around June 13.