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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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THE DOMESTIC NONFINANCIAL ECONOMY

Revised GNP

Real GNP is now estimated to have increased at a 2.5 percent annual rate in the first quarter, compared with a preliminary figure of 3.1 percent (annual rate). The downward revision was entirely due to a faster rate of inventory liquidation than originally published; this was only partly offset by an upward revision to final sales. Within final sales, the revisions to business fixed investment were particularly noteworthy: the preliminary estimate of real spending on structures had shown a moderate gain but the revised estimate records a decline, while for producers' durable equipment the estimate of first quarter growth was raised from an annual rate of 1-1/2 percent to 10 percent. Reflecting the revision to real GNP, the revised estimate of nominal GNP growth has been lowered from 9.1 percent to 8.3 percent. The estimate of inflation, as measured by the gross business product fixed-weighted price index, remained unchanged at 2.8 percent.

The Commerce Department also released preliminary estimates of corporate profits for the first quarter. Reported (book value) profits, after taxes, fell \$5 billion as inventory profits fell sharply reflecting the drop in inflation. But economic profits, which include inventory valuation and capital consumption adjustments, rose \$13 billion after taxes--the largest gain since early 1981.

Budget Developments

The Senate passed a budget resolution on May 19 that calls for an estimated federal government deficit of about \$179 billion in fiscal 1984. Relative to current law, the resolution requires an increase in receipts of \$9 billion compared with more than \$30 billion of additional revenue in the House resolution passed earlier. The next step in the Congressional budget process is for the House and Senate to try to reach agreement on the resolution through a conference committee.

REAL GROSS NATIONAL PRODUCT AND RELATED ITEMS
 (Percent change from previous period at compound annual rate;
 based on seasonally adjusted data)

	1982				1983	
	Q1	Q2	Q3	Q4	Q1 Prelim.	Q1 Revised
1. Gross national product	-5.1	2.1	.7	-1.1	3.1	2.5
2. Final sales	.2	-.9	-1.3	5.4	.9	1.3
3. Personal consumption expenditures	2.5	2.5	.6	4.5	2.3	2.6
4. Business fixed invest.	-5.0	-11.8	-7.6	-6.0	2.7	5.6
Structures	1.3	1.6	-5.2	-4.8	5.3	-3.3
Prod. durable equip.	-7.6	-17.4	-8.8	-6.5	1.5	10.1
5. Residential investment	-10.2	12.9	-5.3	39.3	83.1	79.6
6. Government purchases	-2.9	-5.3	8.4	12.0	-8.9	-8.5
Federal	-5.5	-13.5	23.1	32.8	-21.1	-19.1
State and local	-1.1	.4	-.2	-.4	.7	-.3
7. Change in business inventories ¹	-15.4	-4.4	3.4	-20.3	-12.4	-16.1
8. Net exports ¹	36.9	35.7	27.5	27.2	24.0	23.5
Exports	-12.7	7.5	-16.8	-21.6	-.7	-.8
Imports	-17.5	14.5	4.6	-25.4	11.0	13.0
ADDENDA:						
9. Nominal GNP	-1.0	6.8	5.8	2.6	9.1	8.3
10. GNP implicit price deflator	4.3	4.6	5.0	3.7	5.8	5.7
11. Gross domestic business product fixed-weighted price index	4.4	3.8	5.9	4.3	2.8	2.8
12. Saving rate (percent)	6.6	6.7	6.9	6.0	5.9	5.9
1. Billions of constant dollars.						

BUDGET ESTIMATES FOR FISCAL 1984
(Unified basis, billions of dollars)

	Administration		Congressional resolutions	
	January	April	House ¹	Senate ²
Receipts	660	654	689	671
Outlays	849	844	864	850
Deficit	189	190	174	179

Note: Underlying economic assumptions of the Administration and Congress differ slightly.

1. First Concurrent Budget Resolution, as passed by the House in March 1983.
2. First Concurrent Budget Resolution, as passed by the Senate May 19, 1983.

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

	1982		1983				Growth from base period to April 1983 ²
	Q3	Q4	Q1	Feb.	Mar.	Apr. ^p	
----- Percentage change at annual rates -----							
Money stock measures							
1. M1	6.1	13.1	14.1	22.4	15.9	-3.1	11.5
2. (M1) ³	(4.3)	(14.5)	(13.8)	(24.2)	(19.6)	(-0.5)	(12.5)
3. M2	10.9	9.3	19.8	24.0	11.1	3.1	5.8
4. M3	12.5	9.5	9.8	13.3	8.2	4.5	8.8
Level in billions of dollars April 1983							
Selected components							
5. Currency	7.2	7.4	10.9	12.5	12.4	8.8	138.0
6. Demand deposits	0.0	8.4	2.7	-3.5	7.0	-6.5	238.8
7. Other checkable deposits	21.6	34.0	46.2	91.9	37.3	-10.3	115.0
8. M2 minus M1 (9+10+11+14)	12.4	8.1	21.6	24.5	9.6	5.1	1576.3
9. Overnight RPs and Eurodollars, NSA ⁴	28.6	23.9	34.2	40.7	-2.5	41.9	50.4
10. General purpose and broker/dealer money market mutual fund shares, NSA	35.0	15.3	-57.5	-51.1	-42.1	-56.9	146.7
11. Commercial banks	12.6	9.9	57.3	44.6	17.5	10.1	660.0
12. Savings deposits, SA, plus MMDAs, NSA ⁵	-1.8	35.3	295.3	189.9	79.6	39.5	338.6
13. Small time deposits	18.7	-0.4	-48.6	-63.6	-39.1	-19.8	321.4
14. Thrift institutions	5.7	4.1	13.6	22.9	15.0	11.5	726.7
15. Savings deposits, SA, plus MMDAs, NSA ⁵	2.8	30.1	166.0	170.0	78.8	36.6	321.2
16. Small time deposits	6.9	-5.9	-50.3	-62.5	-29.3	-7.9	405.5
17. M3 minus M2 (18+21+22)	20.0	10.4	-36.4	-40.9	-7.9	11.8	381.1
18. Large time deposits	13.4	4.2	-43.0	-49.4	-6.4	18.2	300.8
19. At commercial banks, net ⁶	12.9	-1.5	-49.7	-60.1	-17.9	-1.0	231.5
20. At thrift institutions	15.6	29.3	-14.6	-7.6	36.4	87.3	69.3
21. Institution-only money market mutual fund shares, NSA	109.3	32.7	-32.7	-23.4	-45.1	-69.0	41.0
22. Term RPs, NSA	-11.9	34.4	19.4	5.9	26.5	40.3	43.1
----- Average monthly change in billions of dollars -----							
MEMORANDA:							
23. Managed liabilities at commercial banks (24+25)	1.9	-5.3	-19.3	-12.9	-7.1	4.7	376.2
24. Large time deposits, gross	5.7	-6.5	-17.1	-16.2	-7.0	0.1	296.1
25. Nondeposit funds	-3.8	1.2	-2.2	3.3	-0.1	4.6	80.1
26. Net due to related foreign institutions, NSA	-4.6	-0.7	-4.6	0.4	0.0	-0.1	-62.0
27. Other ⁷	0.8	2.0	2.4	3.0	-0.2	4.7	142.1
28. U.S. government deposits at commercial banks ⁸	0.2	0.3	0.2	-6.9	3.7	1.0	13.5

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. The base for M1 and M3 targets is the fourth-quarter 1982 average. The base period for the M2 target is the February-March 1983 average.
3. M1 seasonally adjusted using an experimental model-based procedure applied to weekly data.
4. Overnight and continuing contract RPs issued to the nonbank public by commercial banks plus overnight Eurodollar deposits issued by branches of U.S. banks to U.S. nonbank customers, both net of amounts held by money market mutual funds. Excludes retail RPs, which are in the small time deposit component.
5. Beginning December, 1982, growth rates are for savings deposits, seasonally adjusted, plus money market deposit accounts (MMDAs), not seasonally adjusted. Savings deposits excluding MMDAs declined at commercial banks at annual rates of 56.3 percent in February, 18.3 percent in March and 10.1 percent in April. At thrift institutions, savings deposits excluding MMDAs declined during February and March at annual rates of 21.2 percent, and 7.4 percent respectively, and increased in April by 6.8 percent.
6. Net of large-denomination time deposits held by money market mutual funds and thrift institutions.
7. 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.
8. 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)¹

	1982		1983			Levels in bil. of dollars April 1983	
	Q3	Q4	Q1	Feb.	Mar.		Apr.
----- Commercial Bank Credit -----							
1. Total loans and investments at banks ^{2,3}	5.8	6.3	10.7	7.6	11.2	8.7	1463.7
2. Investments ³	4.8	15.9	25.1	14.1	17.9	22.2	401.2
3. Treasury securities	8.3	43.0	61.1	40.3	53.1	54.0	157.8
4. Other securities ³	3.0	2.5	5.7	-1.5	-2.0	2.5	243.4
5. Total loans ^{2,3}	6.2	3.0	5.7	5.4	8.9	3.8	1062.5
6. Business loans ^{2,3}	9.0	-.2	3.9	1.5	1.7	-11.3	395.3
7. Security loans	63.6	37.2	-34.0	-26.4	21.6	15.9	22.9
8. Real estate loans	2.8	4.9	7.2	6.7	7.0	7.4	311.4
9. Consumer loans	3.0	4.6	6.5	1.9	11.2	7.4	196.0
----- Short- and Intermediate-Term Business Credit -----							
10. Total short- and intermediate- term business credit (sum of lines 14, 15 and 16) ³	9.2	-2.9	-3.3	-0.6	-6.7	n.a.	n.a.
11. Business loans net of bankers acceptances ³	9.0	.6	3.5	3.0	-0.3	-11.3	386.4
12. Commercial paper issued by non- financial firms ⁴	-6.2	-39.6	-33.1	12.7	-7.5	-27.7	46.5
13. Sum of lines 11 & 12 ³	7.0	-4.5	-0.5	4.0	-0.8	-13.3	432.9
14. Line 13 plus loans at foreign branches ^{3,5}	8.4	-4.8	0.2	4.6	-1.5	-13.6	448.9
15. Finance company loans to business ⁶	15.8	-15.2	4.0	5.9	4.4	n.a.	n.a.
16. Total bankers acceptances outstanding ⁶	6.6	22.9	-30.9	-38.8	-51.3	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. Average of Wednesdays.

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

6. Based on average of current and preceding ends of month.

n.a.--not available.

SELECTED FINANCIAL MARKET QUOTATIONS¹
(Percent)

	1982		1983			Change from:	
	Highs	FOMC Dec. 21	FOMC Mar. 29	Intermeeting Low	May 19	FOMC Dec. 21	FOMC Mar. 29
<u>Short-term rates</u>							
Federal funds ²	15.61	8.69	8.88	8.48	8.59	-.10	-.29
Treasury bills							
3-month	14.57	7.90	8.63	7.96	8.14	.24	-.49
6-month	14.36	8.01	8.63	7.97	8.25	.24	-.38
1-year	13.55	8.11	8.56	7.95	8.28	.17	-.28
Commercial paper							
1-month	15.73	8.48	9.03	8.17	8.39	-.09	-.64
3-month	15.61	8.43	8.94	8.13	8.36	-.07	-.58
Large negotiable CDs ³							
1-month	15.94	8.59	8.99	8.26	8.50	-.09	-.49
3-month	16.14	8.62	9.06	8.26	8.53	-.09	-.53
6-month	16.18	8.78	9.18	8.29	8.68	-.10	-.50
Eurodollar deposits ²							
1-month	16.36	9.44	9.59	8.68	8.81	-.63	-.78
3-month	16.53	9.56	9.54	8.71	8.89	-.67	-.65
Bank prime rate	17.00	11.50	10.50	10.50	10.50	-1.00	0
Treasury bill futures							
June 1983 contract	13.97	8.25	8.73	7.87	8.42	.17	-.31
Dec. 1983 contract	13.97	8.98	9.06	8.21	8.76	-.22	-.30
<u>Intermediate- and long-term rates</u>							
U.S. Treasury (constant maturity)							
3-year	15.16	9.87	10.05	9.36	9.74	-.13	-.31
10-year	14.95	10.54	10.60	10.12	10.49	-.05	-.11
30-year	14.80	10.53	10.66	10.27	10.67	.14	.01
Municipal (Bond Buyer)	13.44	10.05 ⁴	9.15 ⁴	8.78	9.29	-.76	.14
Corporate--Aaa utility Recently offered	16.34	11.96 ^e	11.79 ^e	11.03	11.46 ^P	-.50	-.33
S&L fixed-rate mortgage commitment	17.66	13.63 ⁵	12.86 ⁵	12.59	12.59 ⁵	-1.04	-.27
	1982	1983			Percent change from:		
	Lows	FOMC Mar. 29	Intermeeting High	May 19	1982 Lows	FOMC Mar. 29	
<u>Stock prices</u>							
Dow-Jones Industrial	776.92	1131.19	1232.59	1191.37	53.3	5.3	
NYSE Composite	58.80	87.24	95.50	93.67	59.3	7.4	
AMEX Composite	237.29	383.76	451.96	449.25	89.3	17.1	
NASDAQ (OTC)	159.14	268.77	304.34	302.82	90.3	12.7	

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.