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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

	Page
THE DOMESTIC NONFINANCIAL ECONOMY	
Housing starts and permits . . . . .	1
Table	
Private housing construction . . . . .	2
THE DOMESTIC FINANCIAL ECONOMY	
Tables	
Monetary aggregates . . . . .	3
Commercial bank credit and short- and intermediate- term business credit . . . . .	4
Selected financial market quotations . . . . .	5

## SUPPLEMENTAL NOTES

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### THE DOMESTIC NONFINANCIAL ECONOMY

#### Housing starts and permits

Housing construction remained strong in April, with new starts at an annual rate of 1.9 million units for the second consecutive month. Newly issued permits for residential building fell 5 percent last month, but, at a 1.66 million unit rate, this indicator remained in the improved range seen in the first quarter. Activity was most robust once again in the South and West regions.

The advanced level of starts activity reflected continued strength in all types of units. Single-family starts in April were about unchanged at an advanced 1.16 million unit annual rate. Surprising strength in multifamily construction persisted into April. Multifamily starts last month were at a 745,000 annual rate--the third month in the past four in which such activity topped the 700,000 mark. For 1984 as a whole, multifamily starts averaged 665,000, the strongest pace in more than a decade.

PRIVATE HOUSING CONSTRUCTION  
(Thousands of units, SAAR)

	1984	1985				Percent change in Apr. from	
	Q4	Q1 <sup>1</sup>	Feb. <sup>1</sup>	Mar. <sup>1</sup>	Apr. <sup>2</sup>	Previous Month	Year Earlier
Starts	1598	1793	1647	1883	1913	1.6	-1.9
1-family	1045	1122	1135	1171	1159	-1.0	-.3
2- or more-family	553	671	512	712	754	5.9	-4.1
Permits issued	1564	1667	1624	1741	1656	-4.9	-7.4
1-family	839	941	927	993	934	-5.9	-3.9
2- or more-family	725	726	697	748	722	-3.5	-11.5
Mobile home shipments	292	277	276	283	n.a.	n.a.	n.a.

1. Revised.

2. Preliminary.

n.a. Not available.

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

	1983:Q4	1985					Growth from Q4 1984 to Apr. 1985
	to 1984:Q4	Q1	Jan.	Feb.	Mar.	Apr.	
----- Percentage change at annual rates -----							
1. M1	5.2	10.5	9.0	14.3	5.7	6.1	9.3
2. M2	7.7	12.0	13.7	11.0	3.8	-0.8	8.3
3. M3	10.4	10.7	10.2	8.3	5.6	0.7	7.9
							Levels in billions of dollars Apr. 1985
<u>Selected components</u>							
4. Currency	7.2	6.3	5.3	8.3	6.0	3.0	161.7
5. Demand deposits	1.1	7.0	2.4	12.5	1.0	2.9	252.5
6. Other checkable deposits	10.5	21.1	24.7	22.6	14.2	13.3	155.3
7. M2 minus M1 <sup>2</sup>	8.6	12.5	15.2	10.0	3.2	-2.8	1852.0
8. Overnight RPs and Eurodollars, NSA <sup>3</sup>	7.3	63.3	110.4	125.9	-36.3	-154.9	58.7
9. General purpose and broker/dealer money market mutual fund shares, NSA	17.0	32.4	31.5	21.6	16.5	-8.8	176.1
10. Commercial banks	8.1	13.6	15.5	9.3	6.5	8.9	803.0
11. Savings deposits, SA, plus MMDAs, NSA <sup>4</sup>	5.2	29.3	38.2	26.0	10.2	3.2	415.4
12. Small time deposits	11.1	-1.8	-7.1	-8.4	2.5	15.0	387.6
13. Thrift institutions	7.3	7.9	7.1	7.6	8.0	3.6	830.6
14. Savings deposits, SA, plus MMDAs, NSA <sup>4</sup>	-3.6	17.8	24.1	25.5	19.4	1.4	332.7
15. Small time deposits	15.5	-2.2	-3.4	-3.9	0.5	5.3	498.0
16. M3 minus M2 <sup>5</sup>	22.1	5.7	-3.3	-1.9	12.6	6.3	630.5
17. Large time deposits	26.0	9.1	2.0	7.2	12.3	10.2	427.3
18. At commercial banks, net <sup>6</sup>	16.0	2.6	-9.5	9.6	23.1	15.1	272.9
19. At thrift institutions	48.8	21.0	22.1	2.3	-5.4	1.6	154.4
20. Institution-only money market mutual fund shares, NSA	33.6	31.2	44.0	-51.7	-52.1	2.0	59.6
21. Term RPs, NSA	45.6	-20.0	-80.9	12.9	53.0	68.2	72.5
22. Term Eurodollars, NSA	-8.0	3.9	-30.3	11.8	55.6	-57.3	81.7

-- Average monthly change in billions of dollars --

## MEMORANDA:

23. Managed liabilities at commercial banks (24+25)	4.7	4.1	-7.4	12.1	7.4	-8.9	437.6
24. Large time deposits, gross	3.2	1.4	-1.0	0.6	4.5	2.7	332.6
25. Nondeposit funds	1.5	2.7	-6.4	11.5	2.9	-11.6	105.0
26. Net due to related foreign institutions, NSA	0.9	0.5	-4.5	3.4	2.5	-3.2	-33.8
27. Other <sup>7</sup>	0.5	2.2	-1.8	8.0	0.5	-8.5	138.7
28. U.S. government deposits at commercial banks <sup>8</sup>	0.2	-1.4	-1.4	-1.7	-1.2	2.8	14.6

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. Nontransactions M2 is seasonally adjusted as a whole.

3. 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.

4. Growth rates are for savings deposits, seasonally adjusted, plus money market deposit accounts (MMDAs), not seasonally adjusted. Commercial bank savings deposits excluding MMDAs declined during March and April 1985 at rates of 10.9 and 8.0 percent respectively. At thrift institutions, savings deposits excluding MMDAs increased in March 1985 at a rate of 2.9 percent and declined during April at a rate of 1.4 percent.

5. The non-M2 component of M3 is seasonally adjusted as a whole.

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, loan RPs and other minor items). Data are partially estimated.

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

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

	1984		1985				Levels in bil. of dollars April
	Q3	Q4	Q1	Feb.	Mar.	Apr.	
----- Commercial Bank Credit -----							
1. Total loans and securities at banks	9.5	9.8	10.2	12.7	11.4	4.4	1765.4
2. Securities	6.6	1.8	5.2	12.2	2.7	-13.0	401.2
3. U.S. government securities	6.8	3.4	10.3	26.3	5.0	-26.2	261.0
4. Other securities	6.3	-5.6	-3.4	-13.5	-17.9	13.0	140.2
5. Total loans	10.5	12.8	11.7	12.8	15.9	9.8	1364.3
6. Business loans	7.5	7.8	10.2	12.8	17.7	1.5	481.0
7. Security loans	2.8	37.5	16.5	-15.3	-7.8	19.5	31.2
8. Real estate loans	11.4	12.1	10.9	13.3	11.6	12.4	389.8
9. Consumer loans	14.2	16.1	17.4	14.6	19.6	16.5	265.5
----- Short- and Intermediate-Term Business Credit -----							
10. Business loans net of bankers acceptances	7.9	7.9	9.3	9.8	17.4	3.8	477.3
11. Loans at foreign branches <sup>2</sup>	8.2	26.0	-45.1	-76.0	-104.3	-25.4	18.5
12. Sum of lines 10 & 11	7.8	8.7	6.9	5.9	12.3	2.7	495.8
13. Commercial paper issued by nonfinancial firms <sup>3</sup>	46.8	51.2	-6.0	37.3	-13.2	41.6	74.6
14. Sums of lines 12 & 13	12.2	13.8	5.1	9.9	9.0	7.6	570.4
15. Bankers acceptances: U.S. trade related <sup>4,5</sup>	-3.2	-6.5	-5.5	0.0	-13.2	n.a.	36.1 (Mar.)
16. Line 14 plus bankers acceptances: U.S. trade related	11.2	12.5	4.4	9.3	7.4	n.a.	602.8 (Mar.)
17. Finance company loans to business <sup>4</sup>	9.8	23.2	21.1	22.0	7.8	n.a.	139.9 (Mar.)
18. Total short- and intermediate- term business credit (sum of lines 16 & 17)	10.9	14.4	7.5	11.8	7.5	n.a.	742.7 (Mar.)

n.a.--not available.

1. Average of Wednesdays for domestically chartered banks and average of current and preceding ends of months for foreign-related institutions.

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

3. Average of Wednesdays.

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

5. Includes acceptances financing U.S. imports, U.S. exports and domestic shipment and storage of goods.

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

	1982/1983	1984	1985	1985			Change from:
	Cyclical low	Highs	Previous lows	FOMC Feb. 13	FOMC Mar. 26	FOMC May 16	FOMC Mar. 26
<u>Short-term rates</u>							
Federal funds <sup>2</sup>	8.46	11.63	8.25	8.52	8.57	8.27	-.30
Treasury bills <sup>3</sup>							
3-month	7.08	10.67	7.62	8.24	8.34	7.37	-.97
6-month	7.62	10.77	7.86	8.30	8.80	7.56	-1.24
1-year	7.73	11.13	8.20	8.49	8.98	7.78	-1.20
Commercial paper							
1-month	8.00	11.42	7.86	8.47	8.63	7.90	-.73
3-month	7.97	11.35	7.90	8.56	8.75	7.93	-.82
Large negotiable CDs <sup>3</sup>							
1-month	8.08	11.52	7.95	8.51	8.60	7.95	-.65
3-month	8.12	11.79	8.06	8.70	8.79	8.00	-.79
6-month	8.20	12.30	8.32	9.05	9.35	8.08	-1.27
Eurodollar deposits <sup>4</sup>							
1-month	8.68	11.89	8.09	8.60	8.78	8.05	-.73
3-month	8.71	12.20	8.28	9.04	9.19	8.20	-.99
Bank prime rate	10.50	13.00	10.50	10.50	10.50	10.50	—
Treasury bill futures							
June 1985 contract	10.11	12.82	8.22	8.77	8.86	7.42	-1.44
Dec. 1985 contract	10.86	13.20	9.13	9.64	9.74	8.21	-1.53
<u>Intermediate- and long-term rates</u>							
U.S. Treasury (constant maturity)							
3-year	9.33	13.49	10.18	10.44	10.97	9.62	-1.35
10-year	10.12	13.99	11.06	11.39	11.77	10.81	-.96
30-year	10.27	13.94	11.16	11.31	11.72	11.02	-.70
Municipal revenue (Bond Buyer index)	9.21	11.44	9.60	9.96 <sup>5</sup>	10.24 <sup>5</sup>	9.34	-.90
Corporate--A utility Recently offered	11.64	15.30	12.51	12.65e	13.11e	12.24e	-.87
Home mortgage rates							
S&L fixed-rate	12.55	14.68	12.90	12.90	13.24 <sup>6</sup>	13.02 <sup>6</sup>	-.22
S&L ARM, 1-yr.	n.a.	12.31	10.59	10.59	10.97 <sup>6</sup>	10.61 <sup>6</sup>	-.36
	1983	1984	1985	1985			% change from:
	Highs	Lows	Previous Highs	FOMC Feb. 13	FOMC Mar. 26	FOMC May 16	FOMC Mar. 26
<u>Stock prices</u>							
Dow-Jones Industrial	1287.20	1086.57	1297.92	1297.92	1259.72	1278.05	1.5
NYSE Composite	99.63	85.13	106.08	106.08	103.28	107.50	4.1
MEX Composite	249.03	187.16	231.22	231.22	224.41	229.43	2.2
ASDAQ (OTC)	328.91	225.30	288.35	288.32	276.18	289.75	4.9

1. One-day quotes except as noted.

2. Averages for two-week reserve maintenance period closest to date shown. Last observation is for maintenance period ended May 8, 1985.

3. Secondary market.

4. Averages for statement week closest to date shown.

5. One-day quotes for preceding Thursday.

6. One-day quotes for preceding Friday.  
e—estimated.