



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

April 19, 1979

TO: Federal Open Market Committee

FROM: Murray Altmann *M.A.*

Attached for your information is a memorandum from Mr. Truman, dated April 18, 1979, on the subject of price adjusted exchange rate indices.



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TO: Federal Open Market Committee
FROM: Edwin M. Truman *EMT*
SUBJECT: Price Adjusted Exchange Rate Indices.

Attached for your information is a copy of the table of price adjusted exchange rate indices that Chairman Miller mentioned at the meeting of the Committee on Tuesday.

These measures of so-called real exchange rates are calculated using the consumer price indices for the G-10 countries plus Switzerland. The measure for the dollar, shown in column 11, has been used in several recent chart presentations to the FOMC. I should emphasize that this table presents only one measure of price adjusted exchange rates using a particular weighting scheme. Alternative measures are described in considerable detail by Peter Hooper and John Morton in "Summary Measures of the Dollar's Foreign Exchange Value" (Federal Reserve Bulletin, October 1978).

The indices presented in the attached table are calculated by dividing the index of each currency's weighted-average foreign exchange value (March 1973 equals 100) by the ratio of the weighted average of foreign consumer price indices to the domestic consumer price index for the country.

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The price indices for April are extrapolations; in the case of some other recent months, staff estimates are used. The last line in the table shows for each currency the average value of the index over the period March 1973 to April 1979.

Attachment

Table 7
Price Adjusted Exchange Rate Indices
WEIGHTED AVERAGE ADJUSTED BY CPI INDICES
MARCH 1973=100 *

4/16/79

Period	1 Sterling	2 Canadian Dollar	3 German Mark	4 Swiss Franc	5 Nether- lands Guilder	6 French Franc	7 Italian Lira	8 Belgian Franc	9 Japanese Yen	10 Swedish Krona	11 U.S. Dollar
1973 - June	102.2	97.1	106.6	101.7	102.2	103.1	93.3	101.1	97.2	101.9	95.9
December	95.3	100.8	105.9	103.3	102.0	99.3	95.7	96.6	98.6	97.3	100.6
1974 - June	101.0	102.6	106.4	104.2	105.2	92.3	91.1	103.2	101.6	97.2	97.7
December	98.4	98.3	104.1	117.8	107.7	99.9	94.6	105.9	95.6	101.1	96.0
1975 - June	104.4	90.5	104.3	115.9	109.6	110.1	96.9	108.1	94.0	103.0	89.9
December	101.5	99.7	96.0	114.2	105.4	106.1	96.1	103.9	96.9	99.3	97.9
1976 - June	92.2	105.6	99.7	120.2	106.9	102.4	83.4	105.8	103.5	102.5	98.6
December	89.6	98.1	104.1	116.3	116.2	96.5	85.6	114.1	104.8	108.3	95.4
1977 - March	94.0	95.1	102.8	108.8	114.4	95.9	85.3	112.1	110.4	107.3	95.1
June	95.5	93.5	102.7	109.0	114.4	96.8	85.6	113.1	112.2	103.8	93.9
September	96.4	92.3	101.9	112.6	114.2	97.8	86.8	113.5	115.1	94.8	93.3
December	98.9	87.3	105.6	122.7	115.3	96.5	85.3	115.4	120.5	93.7	88.5
1978 - March	98.6	82.5	108.5	128.5	119.5	95.7	86.0	118.9	122.1	95.2	85.4
June	95.7	83.3	103.9	127.4	114.5	99.6	86.2	113.0	131.9	94.6	86.4
July	96.7	82.1	102.5	130.0	113.2	101.6	85.9	111.6	139.8	94.0	84.4
August	97.4	78.9	102.8	137.6	113.9	101.8	85.2	113.0	145.0	93.7	82.5
September	97.8	76.2	103.0	144.6	115.1	101.0	86.6	113.7	144.6	93.9	82.3
October	97.0	72.8	107.1	142.1	119.3	102.1	86.1	118.0	144.3	93.9	79.3
November	97.6	75.9	105.8	133.4	118.3	101.3	85.4	117.0	138.7	94.4	82.2
December	99.1	75.1	107.1	132.5	118.9	102.1	85.4	117.6	134.7	94.1	81.9
1979 - January	100.1	73.8	108.5	131.3	119.1	103.4	86.4	118.8	131.5	94.0	81.2
February	100.6	73.9	108.4	132.1	118.9	103.0	87.1	118.4	128.1	94.2	82.2
March ^P	102.8	75.5	108.0	131.2	119.2	102.8	88.1	116.9	124.3	94.0	82.3
April ^e	106.1	77.8	107.0	130.4	118.5	102.4	89.2	114.8	119.2	94.1	83.2
Average, 3/73 to 4/79	98.1	93.9	103.7	115.5	110.3	100.1	89.9	108.2	108.7	99.3	93.4

* NOTES Weights are shares of each country in the total 1972-76 trade of the G-10 countries plus Switzerland