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CONFIDENTIAL (FR)

March 16, 1979

REVISED

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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**NOTE:** There were no revisions in the Commercial Bank Credit table that was included in Wednesday's Greenbook (page III-10).

## SUPPLEMENTAL NOTES

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### The Domestic Nonfinancial Economy

Industrial production is estimated to have risen 0.3 per cent in February, after being unchanged in January. Production of some items in February was again affected by adverse weather, but evidently less than in January. The index now indicates gains in total output of 0.6 per cent in November and 0.8 per cent in December. And in February at 151.2 per cent of the 1967 average, industrial production was 8.6 per cent above a year earlier.

Increases in production in February were widespread and generally moderate. Large gains occurred in output of equipment and nondurable goods materials while sharp declines were again recorded in production of automotive products, coal, and to a lesser extent refined petroleum products.

Output of consumer goods as a group was unchanged in February; there were moderate gains in production of home goods and some nondurable consumer goods but further declines in auto and utility vehicle assemblies and a drop in the production of consumer fuel such as gasoline. Auto assemblies were at an 8.8 million unit rate in February--off slightly from the 8.9 million rate in January. Output of business equipment rose 0.5 per cent further in February with relatively large increases in manufacturing, power, and commercial equipment. As in January, the growth in output of construction supplies was small, following the extremely sharp increase in December.

Production of materials rose 0.3 per cent in February, reflecting increases in the output of equipment parts and chemical and paper materials. Energy materials production declined for the second successive month due mainly to reduced coal output.

The book value of retail trade inventories rose at a seasonally adjusted annual rate of \$10.3 billion in January, following a \$4.0 billion rate increase in December and a \$9.9 billion rate of accumulation for the fourth quarter as a whole. The January increase in stocks was accompanied by essentially unchanged sales (up .2 per cent), and the ratio of all retail inventories to sales edged up to 1.43 from the December level of 1.42.

Retailers' inventories of durable goods rose at a \$13.7 billion annual rate in January, almost twice the December pace. As in the previous three months, accumulation was concentrated at dealers of motor vehicles. The book value of nondurable goods retail inventories declined at a \$3.4 billion rate, about the same rate of decline as in December. Stocks were reduced at apparel and accessory stores and at the "other" grouping of nondurable goods retailers. Stocks at general merchandisers increased somewhat as sales declined, and the inventory to sales ratio for these merchants rose in January; at this point the unavailability of the complete revision makes it impossible to place this recent rise in its historical perspective.

The book value of total manufacturing and trade inventories

increased at an annual rate of \$64.9 billion in January, well above the \$39.5 billion fourth quarter gain. This was the strongest surge in inventory investment since the similarly large gains last March and April. The ratio of inventories to sales for these nonfarm businesses rose, in part because of a decline in sales.

MONETARY AGGREGATES  
(Seasonally adjusted)<sup>1/</sup>

	1978					1979		Feb. '78 to Feb. '79 <sup>d</sup>
	HI	QIII	QIV	Nov.	Dec.	Jan.	Feb. <sup>e/</sup>	
<b>Major monetary aggregates</b>								
1. M-1 (currency plus demand deposits)	8.0	8.1	4.4	-2.0	1.7	-5.3	-3.7	4.8
2. M-1+ (M-1 plus savings deposits at CBs and checkable deposits at thrift institutions)	6.2	6.0	2.4	-5.1	-1.6	-8.2	-7.0	2.4
3. M-2 (M-1 plus time & savings deposits at CBs, other than large CDs)	7.7	9.9	7.7	4.7	2.7	-1.2	2.5	7.1
4. M-3 (M-2 plus all deposits at thrift institutions)	8.3	10.4	9.3	6.7	5.5	2.8	4.7	8.4
<b>Bank time and savings deposits</b>								
5. Total	12.2	11.3	12.4	21.9	5.1	9.0	9.0	11.6
6. Other than large negotiable CDs at weekly reporting banks (interest bearing component of M-2)	7.6	11.1	10.2	9.4	3.5	1.6	7.0	8.7
7. Savings deposits	2.9	2.3	-0.9	-9.6	-7.5	-13.0	-12.0	-1.5
Individuals <sup>2/</sup>	2.7	3.5	-0.8	-6.9	-6.9	-17.4	-8.2	-1.1
Other <sup>3/</sup>	5.2	-12.7	0.0	-45.9	-7.9	40.0	-61.9	-6.4
10. Time deposits	11.7	18.5	19.2	24.5	12.0	12.7	20.7	17.4
11. Small time <sup>4/</sup>	6.8	12.0	15.1	12.0	11.2	15.7	23.3	14.1
12. Large time <sup>4/</sup>	21.5	30.3	26.2	46.0	13.3	8.8	16.3	23.6
13. Time and savings deposits subject to rate ceilings (7+11)	4.7	6.3	6.1	0.0	0.9	0.0	4.1	5.2
<b>Deposits at nonbank thrift institutions <sup>5/</sup></b>								
14. Total	10.4	11.3	11.6	9.6	9.3	8.5	7.8	10.3
15. Savings and loan associations	10.7	12.3	13.1	11.1	11.5	11.4	11.0	11.9
16. Mutual savings banks	6.6	6.9	7.8	6.0	3.4	3.4	4.2	6.0
17. Credit unions	17.0	13.7	10.1	4.6	9.1	-4.5	-6.8	9.8
<b>MEMORANDA: Average monthly changes, billions of dollars</b>								
18. Total U.S. Govt. deposits <sup>6/</sup>	0.3	1.1	-0.5	0.9	-5.6	-0.6	-4.6	0.1
19. Total large time deposits <sup>7/</sup>	3.6	3.3	4.9	10.8	2.4	4.7	3.1	3.7
20. Nondeposit sources of funds <sup>8/</sup>	0.7	1.1	2.4	-1.9	4.1	5.7	2.9	1.7

e -- estimated.

<sup>1/</sup> Quarterly growth rates are computed on a quarterly average basis.

<sup>2/</sup> Savings deposits held by individuals and nonprofit organizations.

<sup>3/</sup> Savings deposits of business, government, and others, not seasonally adjusted.

<sup>4/</sup> Small time deposits are time deposits in denominations less than \$100,000. Large time deposits are time deposits in denominations of \$100,000 and above excluding negotiable CDs at weekly reporting banks.

<sup>5/</sup> Growth rates computed from monthly levels based on average of current and preceding end-of-month data.

<sup>6/</sup> Includes Treasury demand deposits at commercial banks and Federal Reserve Banks and Treasury note balances.

<sup>7/</sup> All large time certificates, negotiable and nonnegotiable, at all CBs.

<sup>8/</sup> Nondeposit borrowings of commercial banks from nonbank sources include Federal funds purchased and security RPs plus other liabilities for borrowed money (including borrowings from the Federal Reserve), gross Eurodollar borrowings, and loans sold, less interbank borrowings.

SELECTED FINANCIAL MARKET QUOTATIONS  
(Per cent)

	1978 1/		1978-1979 2/				Change from:	
	High	Low	FOMC Dec. 19	FOMC Feb. 6	Mar. 6	Mar. 15	Dec. FOMC	Feb. FOMC
<b>Short-term rates</b>								
Federal funds <u>1/</u>	10.25	6.58	9.75	10.06	10.07	10.21 <sup>3/</sup>	+ .46	+ .15
Treasury bills								
3-month	9.30	6.16	9.21	9.21	9.42	9.49	+ .28	+ .28
6-month	9.51	6.45	9.61	9.34	9.45	9.50	- .11	+ .16
1-year	9.62	6.55	9.61	9.30	9.42	9.43	- .18	+ .13
Commercial paper								
1-month	10.29	6.48	10.22	9.75	9.75	9.88	- .34	+ .13
3-month	10.52	6.68	10.42	9.92	9.96	9.98	- .44	+ .06
6-month	10.56	6.70	10.48	9.97	10.02	10.02	- .46	+ .05
Large negotiable CD's <sup>4/</sup>								
1-month	10.36	n.a.	10.35	9.86	9.89	9.93	- .42	+ .07
3-month	10.96	6.77	10.90	10.14	10.15	10.17	- .73	+ .03
6-month	11.52	6.97p	11.50	10.50	10.53	10.50	- 1.00	0
Eurodollars								
3-month	11.95	7.20	11.69	10.81	10.75	10.69	- 1.00	- .12
Bank prime rate	11.57	7.75	11.50	11.75	11.75	11.75	+ .25	0
<b>1. <u>mediate- and long-term rates</u></b>								
U.S. Treasury (constant maturities)								
3-year	9.59	7.40	9.49	9.13	9.41	9.40	- .09	+ .27
7-year	9.22	7.72	9.15	9.01	9.13	9.16	+ .01	+ .15
20-year	9.00	8.01	8.99	8.94	9.09	9.08	+ .09	+ .14
Municipal (Bond Buyer) <sup>5/</sup>								
Corporate Aaa	6.67	5.58	6.45	6.22	6.42	6.30	- .14	+ .08
Corporate Aaa								
New issue <sup>6/</sup>	9.30	8.61	9.29	--	9.64	--	--	--
Recently offered <sup>7/</sup>	9.54	8.48	9.35	9.40	9.67	9.64p	+ .29	+ .24
Primary conventional mortgage <sup>7/</sup>								
	10.38	8.98	10.35	10.40	10.43	10.40	+ .05	0
	Low <sup>8/</sup>	High <sup>8/</sup>	FOMC Dec. 19	FOMC Feb. 6	Mar. 6	Mar. 15	Dec. FOMC	Feb. FOMC
<b>Stock prices</b>								
Dow-Jones Industrial	742.12	907.74	789.85	832.85	826.58	847.02	+57.17	+24.17
NYSE Composite	48.43	60.38	52.58	54.99	54.88	56.08	+3.50	+1.09
AMEX Composite	119.73	176.87	146.38	158.16	164.15	171.65	+25.27	+13.49
NASDAQ (OTC)	102.66	149.53	122.42	124.31	124.43	127.85	+5.43	+3.54

1/ Daily averages for statement week, except where noted.

2/ One-day quotes except as noted.

3/ Average for statement week ending March 14.

4/ Secondary market.

5/ One-day quotes for preceding Thursday.

6/ Calendar week averages for preceding week.

7/ One-day quotes for preceding Friday.

8/ Calendar week averages.