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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 FINANCIAL ECONOMY

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SUPPLEMENTAL NOTES

Gross National Product

Gross national product in the first quarter increased in nominal terms at a 10.7 percent annual rate, about the same as in the preceding quarter, and in real terms at a 1.1 percent annual rate, down from the 2.0 percent rate in the fourth quarter of 1979. GNP prices as measured by the implicit price index increased at a 9.5 percent annual rate in the first quarter of this year, up from an 8.4 percent rate in the preceding quarter. In terms of a fixed-weighted index, gross domestic business product prices are indicated to have risen at an 11.8 percent annual rate, after an 8.4 percent rate of rise in the fourth quarter of last year.

Inventories are estimated to have been unchanged in real terms in the first quarter and inventory investment declined from a \$1.4 billion annual rate in the fourth quarter to zero in the first quarter. (The total inventory valuation adjustment for the first quarter is -\$68.3 billion in annual rate terms.) Final purchases in real terms rose at a 1.5 percent annual rate, down from a 3.6 percent rate in the preceding quarter. The smaller increase in real final purchases reflected a very large decline in residential investment and small declines in consumer expenditures for goods and state and local government purchases of goods and services, which were a little more than offset by another substantial rise in federal government purchases of goods and services, a moderate rise in consumer expenditures for services, and small increases in business fixed investment and in net exports of goods and services (with both exports and imports increasing

sharply). The ratio of personal saving to disposable personal income edged down to 3.4 percent in the first quarter from 3.5 percent in the fourth quarter of last year.

Personal Income

Total personal income rose at a 9 percent annual rate in March, about twice the gain in February. However, the pick-up in March reflected the refund of \$2 billion to California employees from their cash sickness program and a number of special factors that had held down income growth in February. Excluding all of these nonrecurring factors, the advance in personal income would have been about the same (\$13 billion) in each of the first three months of this year, but significantly below the average monthly gain of \$22-3/4 billion in fourth quarter. Wages and salaries rose \$8-3/4 billion in March, about the same as in February, as a sharp increase in hourly earnings outweighed, on balance, the decline in aggregate hours.

Housing Activity

Total private housing starts dropped 22 percent in March to a 1.04 million annual rate--the largest monthly percentage decline in two decades. The March pace was the lowest since April 1975. At 1.2 million units, starts in the first quarter as a whole were off 21 percent from 1979:Q4 and were about 40 percent lower than the quarterly peak in starts in 1978. Total building permits also declined sharply in March--by 18 percent. Single-family permits were off 23 percent and multifamily permits were down 9 percent. Total permits for the first quarter were at the lowest rate since 1975:Q4. The reduced levels of activity continued to be seen in all the major geographic regions

of the nation, with activity falling in March in all areas except the Northeast. Starts of single-family homes fell 23 percent in March to 606,000 units--the lowest level in more than 10 years. Multifamily starts were down 20 percent, reversing an increase in February and bringing the 1980:Q1 pace to 13 percent below 1979:Q4.

Correction:

Pages I-7 and I-11:

The 1979-Q4 change in the 4/16/80 estimate of the fixed-weighted price index for gross domestic business product excluding food and energy should read 6.6 percent per year.

GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Percentage Changes at Annual Rates Except as Noted)

	1979	1980
	Q4	Q1
<u>Constant (1972) Dollars</u>		
Gross national product	2.0	1.1
Final purchases	3.6	1.5
Private	3.1	0.6
Excluding net exports	3.1	0.3
Personal consumption expenditures	4.1	1.6
Goods	4.7	-.8
Services	3.5	4.2
Gross private domestic investment	-11.6	-7.5
Residential investment	-4.5	-20.1
Business fixed investment	-.3 ¹	1.1 ¹
Inventory investment	-5.7 ¹	-1.4 ¹
Net exports of goods and services	0.0 ¹	0.7 ¹
Exports	7.0	13.6
Imports	8.2	13.5
Government purchases of goods and services	6.0	5.4
Federal	16.0	16.2
State and local	0.8	-0.5
Disposable personal income	1.1	0.7
<u>Related Items</u>		
Gross national product, current dollars	10.5	10.7
Final purchases, current dollars	12.2	10.9
GNP implicit price deflator	8.4	9.5
Gross domestic business product fixed-weighted price index	8.4	11.8
Excluding food and energy	6.6	8.8
Personal saving rate, current dollars	3.5 ²	3.4 ²

¹ Changes from levels in billions of 1972 dollars.

² Personal saving as percentage of disposable personal income.

PERSONAL INCOME
(Based on seasonally adjusted annual rate data)

	1978	1979	1979 Q4	QI	1980	
					Feb.	Mar.
- - Percentage change, at annual rates ¹ - -						
Total personal income	12.9	11.2	12.6	10.7	4.3	9.1
Wage and salary disbursements	12.8	10.1	10.9	10.0	7.8	8.1
Private	14.1	10.8	11.1	11.0	8.6	9.1
Nominal disposable personal income	12.0	10.4	10.9	13.3	4.5	8.7
Real disposable personal income	4.2	.5	1.1	n.a.	-8.4	n.a.
- - Changes in billions of dollars ² - -						
Total personal income	\$17.8	\$16.8	\$22.7	\$13.7	\$7.4	\$15.6
Wage and salary disbursements	11.5	9.7	11.7	9.0	8.4	8.8
Private	10.1	8.4	9.8	7.8	7.5	8.0
Manufacturing	3.2	2.0	2.7	2.1	2.6	1.4
Other income	7.1	8.1	11.7	5.4	-.9	5.6
Transfer payments	1.5	2.9	2.0	2.1	-1.6	1.7
Less: Personal contributions for social insurance	.8	.9	.6	.7	.2	-1.2
Memorandum:						
Personal savings rate ³	4.9	4.6	3.5	3.4	3.4	n.a.

1. Changes over periods longer than one quarter are measured from final quarter of preceding period to final quarter of period indicated. Changes for quarterly period are compounded rates of changes.

2. Average monthly change.

3. Equals the centered three-month moving average of personal savings as a percentage of the centered three-month moving average of disposable personal income.

NEW PRIVATE HOUSING ACTIVITY
(Seasonally adjusted annual rates, millions of units)

	1979		1980			
	Annual	Q4	Q1 ¹	Jan.	Feb.	Mar. ¹
All units						
Permits	1.54	1.35	1.12	1.26	1.14	.94
Starts	1.75	1.59	1.26	1.42	1.33	1.04
Single-family units						
Permits	0.97	.82	.66	.76	.70	.53
Starts	1.19	1.06	.80	1.00	.79	.61
Sales						
New homes	.71	.62	n.a.	.59	.53	n.a.
Existing homes	3.74	3.56	n.a.	3.21	2.99	n.a.
Multifamily units						
Permits	.57	.53	.45	.50	.45	.41
Starts	.55	.54	.47	.42	.54	.44
Mobile home shipments	.28	.26	n.a.	.28	.27	n.a.

1. Preliminary estimates.

n.a.--not available.

PRICES FOR SELECTED COMMODITIES
(Dollars)

		1979		1980							
		<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	April				
		July	Oct.	Jan.	Feb.	Mar.	1	8	15		
<u>Near-term futures prices for precious metals:</u>											
Gold	Troy oz.	297.60	393.50	712.00	697.50	566.50	498.50	538.50	519.20		
Silver	Troy oz.	9.36	16.77	46.30	38.00	29.10	14.00	16.47	14.38		
Platinum	Troy oz.	414.40	540.00	869.40	919.00	873.60	520.00	605.00	601.00		
<u>Spot prices of other metals:</u>											
Copper	Lb.	.851	.973	1.130	1.415	1.044	.918	.945	.956		
Lead	Lb.	.585	.605	.500	.510	.500	.480	.465	.465		
Zinc	Lb.	.405	.375	.375	.385	.395	.385	.385	.383		
Tin	Lb.	7.643	7.782	8.309	8.567	9.085	8.609	8.636	8.693		
<u>Weekly Spot price index of major farm commodities (1967=100):</u>											
		262.0	251.5	246.7	262.6	245.0	230.3	236.0	235.7		

1/ Mid-month prices.

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

	1979		1980			Mar. '79	Mar. '80
	Q3	Q4	Q1	Jan.	Feb.	Mar.	
---- Percentage Change at Annual Rates ----							
<u>Money stock measures</u>							
1. M-1A	8.8	4.7	5.5	3.6	12.2	-3.5	6.6
2. M-1B	10.1	5.3	6.0	4.0	12.0	-2.1	7.8
3. M-2	10.3	7.2	7.4	6.8	10.7	3.4	8.8
4. M-3	10.3	9.9	8.4	7.9	12.6	4.1	9.5
<u>Selected components</u>							
5. Currency	11.1	8.1	8.7	13.6	10.1	7.8	9.3
6. Demand deposits	8.0	3.4	4.1	-0.5	12.7	-7.2	5.6
7. Other checkable deposits, NSA ²	46.7	15.7	17.6	22.2	0.0	29.1	40.8
8. M-2 minus M-1B (9+10+11+14)	-10.4	7.9	7.9	7.7	10.3	5.3	9.2
9. Overnight RPs and Eurodollars, NSA ³	-4.7	-17.3	0.0	39.8	9.6	-86.1	-6.0
10. Money market mutual fund shares, NSA	166.2	120.0	149.9	151.4	185.7	80.4	260.1
11. Commercial banks	10.7	7.4	7.5	8.3	8.8	4.1	8.9
12. savings deposits	-0.4	-15.1	-16.8	-12.3	-16.1	-34.6	-10.8
13. small time deposits	21.5	28.6	28.1	24.6	28.6	33.7	29.5
14. Thrift institutions	5.3	3.6	-0.6	-4.0	-1.9	2.8	3.1
15. savings deposits	-2.5	-26.0	-22.7	-15.1	-27.9	-29.7	-16.1
16. small time deposits	10.4	22.3	11.5	2.3	11.5	19.4	16.1
17. Large time deposits	9.5	30.3	19.0	17.0	31.9	17.9	15.8
18. at commercial banks, net ⁴	2.5	22.6	11.2	9.5	27.7	17.3	8.6
19. at thrift institutions	72.2	90.8	71.2	63.4	60.2	14.3	87.3
20. Term RPs, NSA	13.8	5.4	-14.5	0.0	-35.6	-61.2	2.6

--Average Monthly Change in Billions of Dollars--

MEMORANDA:

21. Managed liabilities at commercial banks (22+23)	9.5	-1.5	7.1	4.4	13.5	3.5	4.3
22. Large time deposits, gross	4.3	2.2	3.2	1.3	5.9	2.5	1.7
23. Nondeposit funds	5.2	-3.7	3.9	3.1	7.6	1.0	2.6
24. Net due to related foreign institutions, NSA	2.9	-2.2	1.9	-0.7	2.4	4.1	1.6
25. Other ⁵	2.2	-1.4	2.0	3.9	5.2	-3.2	1.0
26. U.S. government deposits at commercial banks ⁶	0.6	-1.0	-0.7	2.9	-1.0	-4.0	0.1

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

2. Consists of ATS and NOW balances at all institutions, credit union share draft balances, and demand deposits at mutual savings banks.

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 nondeposit borrowings of commercial banks from nonbank sources, calculated as the net of federal funds purchased, security RPs, other liabilities for borrowed money (including borrowings from the Federal Reserve), and loans sold less interbank borrowings.

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

e--estimated. n.a.--not available. p--preliminary.

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

	1979		1980			Mar. '79	Mar. '80 ^e
	Q3	Q4	Q1	Jan.	Feb. ^e	Mar. ^e	
----- Commercial Bank Credit -----							
1. Total loans and investments at banks ²	15.8	3.4	11.8	12.8	18.7	3.5r	11.1
2. Investments	8.5	3.5	7.3	4.2	15.5r	2.1	6.3
3. Treasury securities	1.7	-5.9	3.0r	-7.7	20.6	-3.8r	0.6r
4. Other securities	12.1	8.3	9.4r	10.0	13.1	4.9r	9.3
5. Total loans ²	18.2	3.4	13.3r	15.7	19.8	4.0r	12.8
6. Business loans	22.7	6.0	17.1r	20.5	22.2	7.9r	16.5r
7. Security loans	8.7	-88.5	-32.8r	-19.7	-20.0	-61.0	-20.0
8. Real estate loans	14.7	14.2	11.9	12.9	13.2	9.2	14.1
9. Consumer loans	7.5	5.5	n.a.	6.6	4.6	n.a.	n.a.
-- Short- and Intermediate-Term Business Credit --							
10. Total short- and intermediate-term business credit (sum of lines 13,14 and 15)	27.4	6.4	n.a.	24.1	25.0	n.a.	n.a.
11. Business loans net of bankers acceptances ¹	21.7	6.3	18.0r	22.0	19.5	11.8r	16.6
12. Commercial paper issued by nonfinancial firms ³	69.7	15.5	76.2	81.6	53.5	80.5	69.1r
13. Sum of lines 11 & 12	25.7	7.0	23.5r	27.6r	22.8	18.7r	20.5r
14. Finance company loans to business ⁴	9.4	4.0	n.a.	-8.5	-3.4	n.a.	n.a.
15. Total bankers acceptances outstanding ⁴	74.9	4.6	n.a.	52.3	84.4	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. Average of Wednesdays.

^e based on average of current and preceding ends of months.

r--estimated. n.a.--not available.

SELECTED FINANCIAL MARKET QUOTATIONS
(percent)

	1974 High ¹	1979-1980 ²				Change from:		
		FOMC Oct. 5	FOMC Mar. 18	Inter- meeting High	April 17	FOMC Oct. 5	FOMC Mar. 18	Inter- meeting High
Short-term rates								
Federal funds ³	13.55	11.91	16.24	19.39	18.35	6.44	2.11	-1.04
Treasury bills								
3-month	9.63	10.70	14.62	16.00	13.50	2.80	-1.12	-2.50
6-month	9.75	10.63	14.61	15.64	12.68	2.05	-1.93	-2.96
1-year	9.54	10.28	13.66	14.58	11.69	1.41	-1.97	-2.89
Commercial paper								
1-month	12.25	11.73	17.09	18.00	16.53	4.80	-.56	-1.47
3-month	12.25	11.86	17.32	17.69	15.79	3.93	-1.53	-1.90
6-month	12.00	11.84	16.79	17.25	14.46	2.62	-2.33	-2.79
Large negotiable CDs ⁴								
1-month	12.58	12.09	17.21	17.87	16.51	4.42	-.70	-1.36
3-month	12.64	12.50	18.00	18.59	16.00	3.50	-2.00	-2.59
6-month	12.30	12.80	17.97	18.47	15.15	2.35	-2.82	-3.32
Eurodollar deposit ³								
1-month	13.78	12.45	18.60	19.04	18.54	6.09	-.06	-.50
3-month	14.01	12.79	18.98	19.60	18.54	5.75	-.44	-1.06
Bank prime rate	12.00	13.50	18.50	20.00	20.00	6.50	1.50	0
Intermediate- and long-term rates								
Treasury (constant maturity)								
3-year	8.84	10.01	13.68	14.53	11.66	1.65	-2.02	-2.87
10-year	8.14	9.60	12.40	13.65	11.16	1.56	-1.24	-2.49
30-year	n.a.	9.36	12.00	12.85	10.99	1.63	-1.01	-1.86
Municipal (Bond Buyer) ⁵	7.15	6.64	9.08	9.44	7.89	1.25	-1.19	-1.55
Corporate Aaa New issue ⁶	10.61	10.22	13.95	14.22	12.70p	2.48	-1.25	-1.52
Recently offered ⁷	10.52	10.25	13.72	14.12	12.53p	2.28	-1.19	-1.59
Primary conventional mortgages ⁷	10.03	11.35	15.40	16.35	16.35	5.00	.95	0
	1974 Low ⁸	FOMC Oct. 5	FOMC Mar. 18	Inter- meeting Low	Apr. 17	FOMC Oct. 5	FOMC Mar. 18	Inter- meeting Low
Stock prices								
Dow-Jones Industrial	577.60	897.61	801.62	759.98	768.86	-128.75	-32.76	8.88
NYSE Composite	32.89	63.39	59.09	55.30	57.45	-5.94	-1.64	2.15
AMEX Composite	58.26	235.15	253.27	215.69	235.19	.04	-18.08	19.50
NASDAQ (OTC)	54.87	152.29	138.92	124.09	134.55	-17.74	-4.37	10.46

1. Statement week averages except where noted.
2. One-day quotes except as noted.
3. Rates for statement week closest to date shown.
4. Secondary market.
5. One-day quotes for preceding Thursday.
6. Averages for preceding week.
7. One-day quotes for preceding Friday.
8. Calendar week averages.