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CONFIDENTIAL (FR)  
CLASS II - FOMC

July 2, 1981

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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## SUPPLEMENTAL NOTES

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### Employment developments

Total employment dropped sharply in June. As indicated by the household survey, total employment fell 843,000 to slightly below the March level. The civilian labor force is indicated to have declined 1,230,000 in June--also to about the March level. With these changes, the unemployment rate declined to 7.3 percent--the rate prevailing for February through April. The decline in the unemployment was concentrated in the 20-24-year-old males, reversing the increase in the rate for this sector for May. According to BLS, "the April-June movements may be a reflection of an earlier-than-usual summer labor force entrance among college students, for which the seasonal adjustment process was unable to account fully." A sizable decline also occurred in June in unemployment of women 25 to 54 years old, reversing the rise in the preceding month.

Total nonagricultural payroll employment adjusted for changes in workers on strike dropped 143,000 in June, after rising 103,000 in May and 228,000 in April. (These establishment survey data reflect revisions based on March 1980 benchmarks and updated seasonal adjustment factors.) Before strike adjustment, total nonfarm employment was about unchanged in June, following increases of 72,000 in May and 111,000 in April. State and local government employment fell 110,000 further in June; employment in contract construction declined almost 60,000 (43,000 strike adjusted) further to its July 1980 low, and jobs in retail trade declined 30,000. Employment in mining increased 150,000, as striking

workers returned to work. In manufacturing, total employment was about unchanged, but the workweek declined 0.2 hour to 40.1 hours.

Wages, as measured by the average hourly index, rose at a 5-1/4 percent annual rate in June, according to the preliminary estimates. From January through May this measure of wage change had increased at about a 7-1/2 percent annual rate. (January wages had been boosted by the increase in minimum wages; from December through May, the index for all private nonfarm production workers rose at a 9-1/4 percent rate). Over 1980 as a whole, the index rose 9-1/2 percent. The easing in the rate of increase in this index this year has been most pronounced in manufacturing, where the rise has been at a 9-1/2 percent annual rate, down from an increase of almost 11 percent over 1980.

CHANGES IN EMPLOYMENT<sup>1</sup>  
(Thousands of employees; based on seasonally adjusted data)

	1979	1980	1980	1981			
			Q4	Q1	Q2	May	June
-Average monthly changes-							
Nonfarm payroll employment <sup>2</sup>	170	34	163	133	56	72	-14
Strike adjusted	176	28	136	130	83	103	-143
Manufacturing	-5	-58	38	5	71	81	-8
Durable	1	-47	36	7	53	45	5
Nondurable	-6	-12	2	-2	19	36	-13
Construction	15	-12	8	10	-51	-96	-59
Trade	30	12	7	55	15	78	-33
Finance and services	84	79	82	57	71	67	19
Private nonfarm production workers	103	-9	100	98	99	72	71
Manufacturing production workers	-16	-67	22	5	63	68	7
Total employment <sup>3</sup>	172	-42	34	377	-7	259	-843
Nonagricultural	174	-48	36	416	-3	369	-755

1. Average change from final month of preceding period to final month of period indicated. These figures are revised to reflect new seasonal factors and the 1980 benchmark to the establishment survey data.

2. Survey of establishments. Strike-adjusted data noted.

3. Survey of households.

SELECTED UNEMPLOYMENT RATES  
(Percent; based on seasonally adjusted data)

	1979	1980	1980	1981			
			Q4	Q1	Q2	May	June
Total, 16 years and older	5.8	7.1	7.5	7.4	7.4	7.6	7.3
Teenagers	16.1	17.7	18.3	19.1	19.2	19.5	19.0
20-24 years old	9.0	11.5	12.1	11.8	12.4	12.9	12.1
Men, 25 years and older	3.3	4.7	5.0	4.8	4.8	4.8	5.0
Women, 25 years and older	4.8	5.5	5.9	5.8	5.7	5.9	5.6
White	5.1	6.3	6.6	6.6	6.5	6.8	6.4
Black and other	11.3	13.2	14.1	13.2	13.7	13.6	14.2
Fulltime workers	5.3	6.8	7.3	7.1	7.1	7.3	7.0
White collar	3.3	3.7	3.9	3.9	4.0	4.1	3.8
Blue collar	6.9	10.0	10.7	10.0	9.8	10.0	9.8

HOURLY EARNINGS INDEX<sup>1</sup>  
 (Percent change at annual rates;  
 based on seasonally adjusted data)<sup>2</sup>

	1979	1980	1981			
			Q1	Q2	May	June
Total private nonfarm	8.0	9.6	10.6	7.1	8.1	5.3
Manufacturing	8.7	10.9	9.9	8.9	6.8	5.8
Durable	8.6	11.6	9.4	9.4	7.1	5.3
Nondurable	8.8	9.8	9.1	9.7	6.2	6.6
Contract construction	6.7	7.6	9.2	4.4	3.2	6.8
Transportation and public utilities	8.9	9.4	9.4	9.6	9.9	4.2
Total trade	7.5	8.8	11.8	5.1	9.0	3.0
Services	7.7	9.5	9.8	8.6	9.7	9.1

1. Excludes the effect of interindustry shifts in employment and fluctuations in overtime pay in manufacturing. These figures are revised to reflect new seasonal factors and the 1980 benchmark to the establishment survey data.

2. Changes over periods longer than one quarter are measured from final quarter of preceding period to final quarter of period indicated. Quarterly changes are at compound rates; monthly changes are not compounded.

Erratum:

Part II, Page II-17. Several lines of last paragraph were omitted. The paragraph should read as follows:

Retail energy prices have risen only slightly on average since March, as decreases for petroleum products largely offset higher natural gas and electricity rates. Gasoline prices fell about 1-1/2 percent per month in April and May, and industry sources indicate that these prices dropped further in June. The lower retail gasoline and fuel oil prices reflect continued softness in petroleum markets. Reduced domestic consumption, coupled with a high level of production by Saudi Arabia, has put downward pressure on both international and domestic crude prices and has led to a number of price reductions both by producers and by refiners. In contrast, prices for electricity and natural gas--where ongoing decontrol continues to be an important factor--moved sharply higher in both April and May.

New data are not yet available for updating the tables on monetary aggregates and on commercial bank credit and business credit, usually carried in the Supplement.

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

	1980 Dec. High	1981				Change from:	
		Mar. Low	Early May High	FOMC May 18	July 1	Early May High	FOMC May 18
<u>Short-term rates</u>							
Federal funds <sup>2</sup>	19.83	13.48	18.91	18.89	18.84	-.07	-.05
Treasury bills							
3-month	17.14	12.36	17.01	16.20	14.65	-2.36	-1.55
6-month	15.74	11.58	15.83	15.13	14.30	-1.53	-.83
1-year	14.06	11.50	14.85	14.08	13.51	-1.34	-.57
Commercial paper							
1-month	20.77	12.62	18.57	17.86	17.37	-1.20	-.49
3-month	19.88	12.48	18.29	17.65	16.46	-1.83	-1.19
6-month	18.58	12.19	17.38	16.59	15.42	-1.96	-1.17
Large negotiable CDs <sup>3</sup>							
1-month	21.29	12.94	18.80	18.11	17.53	-1.27	-.58
3-month	20.90	12.99	19.01	18.29	17.28	-1.73	-1.01
6-month	19.19	12.94	18.50	17.42	16.66	-1.84	-.76
Eurodollar deposits <sup>2</sup>							
1-month	22.54	13.84	19.39	18.94	18.40	-.99	-.54
3-month	21.36	14.31	19.56	19.08	18.01	-1.55	-1.07
Bank prime rate	21.50	17.00*	19.00	19.50	20.00	1.00	.50
<u>Intermediate- and long-term rates</u>							
U.S. Treasury (constant maturity)							
3-year	14.41	12.85	15.69	14.71	14.70	-.99	-.01
10-year	13.57	12.58	14.69	13.80	14.04	-.65	.24
30-year	13.17	12.16	14.11	13.31	13.47	-.64	.16
Municipal (Bond Buyer)	10.56	9.81	10.94	10.83 <sup>4</sup>	10.85	-.09	.02
Corporate Aaa							
New issue	14.51	14.42	16.12	15.80 <sup>5</sup>	---	---	---
Recently offered	15.03	13.98	16.26	15.63 <sup>6</sup>	14.79 <sup>p6</sup>	-1.47	-.84
Primary conventional mortgages	14.95	--	16.12	16.64 <sup>6</sup>	16.62 <sup>6</sup>	.50	-.02
	<u>1980</u>		<u>1981</u>		<u>Percent change from:</u>		
	Dec. 31	FOMC	FOMC	July	Dec. 31	FOMC	
		Mar. 31	May 18	1		May 18	
<u>Stock Prices:</u>							
Dow-Jones Industrial	963.99	1003.87	985.77	967.66	.4	-1.8	
NYSE Composite	77.86	78.27	76.73	75.37	-3.2	-1.8	
AMEX Composite	348.99	360.60	368.84	371.88	6.6	.8	
NASDAQ (OTC)	202.34	210.18	216.94	214.63	6.1	-1.1	

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. Averages for preceding week.

6. One-day quotes for preceding Friday.

\* Low reached on April 2.