

## **Prefatory Note**

The attached document represents the most complete and accurate version available based on original copies culled from the files of the FOMC Secretariat at the Board of Governors of the Federal Reserve System. This electronic document was created through a comprehensive digitization process which included identifying the best-preserved paper copies, scanning those copies,<sup>1</sup> and then making the scanned versions text-searchable.<sup>2</sup> Though a stringent quality assurance process was employed, some imperfections may remain.

Please note that this document may contain occasional gaps in the text. These gaps are the result of a redaction process that removed information obtained on a confidential basis. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

---

<sup>1</sup> In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).

<sup>2</sup> A two-step process was used. An advanced optimal character recognition computer program (OCR) first created electronic text from the document image. Where the OCR results were inconclusive, staff checked and corrected the text as necessary. Please note that the numbers and text in charts and tables were not reliably recognized by the OCR process and were not checked or corrected by staff.

CONFIDENTIAL (FR)  
CLASS II - FOMC

March 26, 1982

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

	<u>Page</u>
THE DOMESTIC NONFINANCIAL ECONOMY	
Recent developments in housing markets . . . . .	1
THE DOMESTIC FINANCIAL ECONOMY	
Recent residential mortgage developments . . . . .	1
TABLES	
Monetary aggregates . . . . .	2
Commercial bank credit and short- and intermediate- business credit . . . . .	3
Selected financial market quotation . . . . .	4

Recent Developments in Housing Markets

Sales of existing houses, which had declined 4.1 percent in January to their lowest rate in more than a decade, rose 2.2 percent in February to a 1.9 million unit seasonally adjusted annual rate. The measured sales price of existing houses sold (not seasonally adjusted) rose in February to an average of \$80,100, 6 percent above their average in February 1981.

Recent Residential Mortgage Developments

New commitments for home mortgages at insured savings and loan associations, seasonally adjusted, rose nearly 4-3/4 percent in February to \$4.7 billion, after falling 6.5 percent in January--a month when weather conditions were unusually severe. New commitments in February were up more than 40 percent from their low last September but they were still more than 20 percent below their most recent peak in March 1981. Outstanding commitments at all operating S&Ls edged down in February to \$23.3 billion; they were 7-1/4 percent above their most recent low last October and more than 14 percent below their 1980 high. Mortgage holdings at all operating S&Ls, seasonally adjusted, increased \$373 million in February, a little less than in January--these holdings had been reduced in each of the last three months of 1981; February was a month in which S&Ls swapped additional low-rate mortgages for FHLMC securities.

March 26, 1982

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

	1981				1982		QIV. '81 to Feb. '82
	Q2	Q3	Q4	Dec.	Jan.	Feb.	
--Percentage change at annual rates--							
<u>Money stock measures</u>							
1. M1	9.2	0.3	5.7	12.4	21.0	-3.7	9.6
2. M2	12.0	8.3	8.8	8.4	12.2	4.3	8.9
3. M3	12.2	11.2	9.2	7.3	8.8	5.8	8.0
<u>Selected components</u>							
4. Currency	7.9	4.7	4.3	12.8	6.8	7.8	8.2
5. Demand deposits	-11.0	-7.5	-0.2	3.6	14.7	-24.1	-2.4
6. Other checkable deposits	108.5	21.2	27.6	36.9	63.9	40.0	50.5
7. M2 minus M1 (8+9+10+13)	12.9	10.9	9.9	7.2	9.4	6.9	8.7
8. Overnight RPs and Eurodollars, NSA <sup>2</sup>	49.2	14.9	-44.1	35.7	163.8	-5.5	64.7
9. General purpose and broker/dealer money market mutual fund shares, NSA	125.7	91.2	74.0	51.5	28.6	7.8	31.1
10. Commercial banks	7.2	7.8	10.3	1.2	7.5	11.4	8.2
11. savings deposits	-8.9	-22.7	-11.9	4.6	14.5	0.8	7.2
12. small time deposits	16.2	24.3	20.8	-0.3	4.4	16.1	8.7
13. Thrift institutions	2.3	1.2	1.5	0.2	-0.7	3.7	1.5
14. savings deposits	-7.0	-22.9	-11.7	13.7	21.2	-1.9	9.7
15. small time deposits	6.3	11.4	6.6	-4.8	-8.9	5.8	-1.6
16. Large time deposits	11.1	30.6	3.6	-0.8	9.2	20.6	9.0
17. at commercial banks, net <sup>3</sup>	10.0	32.5	0.2	-4.4	5.9	19.9	6.5
18. at thrift institutions	16.3	22.2	19.5	15.6	24.3	23.8	20.8
19. Institutions-only money market mutual fund shares, NSA	64.0	69.0	132.8	63.8	-42.7	-73.8	-15.1
20. Term RPs, NSA	-1.1	-30.8	0.0	-6.7	-98.3	18.5	-20.7
--Average monthly change in billions of dollars--							
<u>MEMORANDA:</u>							
21. Manged liabilities at commercial banks (22+23)	2.3	6.0	-7.2	-16.9	-8.8	1.2	-6.5
(Adjusted for shifts to IBFs) <sup>4</sup>			(0.2)	(5.7)	(-1.1)	(1.6)	(1.2)
22. Large time deposits, gross	0.7	7.4	-0.2	-0.6	0.3	2.8	1.0
(Adjusted for shifts to IBFs) <sup>4</sup>			(-0.2)	(0.8)	(0.8)	(2.9)	(1.2)
23. Nondeposit funds	1.6	-1.4	-7.0	-17.5	-9.1	-1.6	-7.5
(Adjusted for shifts to IBFs) <sup>4</sup>			(0.4)	(4.9)	(-1.9)	(-1.3)	(0.0)
24. Net due to related foreign institutions, NSA	0.8	1.0	-9.1	21.8	-11.1	0.8	-8.4
(Adjusted for shifts to IBFS) <sup>4</sup>			(-2.2)	(-1.1)	(-4.6)	(1.1)	(-1.5)
25. Other	0.8	-2.4	2.1	4.4	2.0	-2.4	1.0
(Adjusted for shifts to IBFS) <sup>4</sup>			(2.7)	(6.1)	(2.7)	(-2.4)	(1.6)
26. U.S. government deposits at commercial banks <sup>6</sup>	-0.2	-0.7	0.8	-0.3	1.7	6.3	2.7

1. Quarterly growth rates are computed on a quarterly average basis. Dollar amounts shown under memoranda for quarterly and year over year changes are calculated on an end-month-of-quarter basis.

2. 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. Excludes retail RPs, which are in the small time deposit components.

3. Net of large-denomination time deposits held by money market mutual funds and thrift institutions.

4. Numbers in parentheses have been adjusted to remove the effects of shifts of assets and liabilities to International Banking Facilities (IBFs).

5. 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), loans sold to affiliates, loan RPs and other minor items. Changes since October 1980 are partially estimated.

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

Unchanged from March 24, 1982

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

	1981				1982		QIV '81 to Feb. '82
	Q2	Q3	Q4	Dec.	Jan.	Feb.	
--Commercial Bank Credit--							
1. Total loans and investments at banks <sup>2</sup> (Adjusted for shifts to IBFs) <sup>3</sup>	10.9	6.8	-1 (6.7)	-9.2 (11.0)	4.3 (10.5)	10.5 (11.5)	3.2 (10.2)
2. Investments	7.2	.5	4.6	3.9 (5.3)	12.6 (13.6)	5.5 (5.2)	7.0 (7.6)
3. Treasury securities	13.5	-12.0	-8.1	6.5	35.7	10.5	14.4
4. Other securities	4.0	7.2	10.8 (11.5)	2.6 (4.7)	1.6 (3.1)	3.1 (2.6)	3.6 (4.3)
5. Total loans <sup>2</sup> (Adjusted for shifts to IBFs) <sup>3</sup>	12.2	9.1	-1.7 (7.2)	-13.7 (12.9)	1.2 (9.5)	12.5 (13.7)	1.9 (11.1)
6. Business loans <sup>2</sup> (Adjusted for shifts to IBFs) <sup>3</sup>	16.6	17.9	-2.1 (9.7)	-15.8 (19.4)	8.3 (17.4)	17.2 (17.5)	4.8 (16.0)
7. Security loans	28.6	-36.2	58.6	51.4	-71.2	11.7	0.0
8. Real estate loans	10.8	8.0	7.0	10.2	7.6	7.9	8.0
9. Consumer loans	1.3	4.4	4.4	9.8	4.5	-1.3	3.5
--Short- and Intermediate-Term Business Credit--							
10. Total short- and intermediate- term business credit (sum of lines 14, 15 and 16)	20.2	23.3	6.5 (14.1)	-3.0 (19.6)	6.4 (12.3)	n.a.	n.a.
11. Business loans net of bankers acceptances (Adjusted for shifts to IBFs) <sup>3</sup>	16.2	19.7	-2.4 (9.8)	-16.8 (19.5)	9.6 (18.5)	16.9 (17.3)	5.2 (16.5)
12. Commercial paper issued by non- financial firms <sup>4</sup>	47.6	57.9	21.3	25.3	2.3	47.2	26.9
13. Sum of line 11 & 12 (Adjusted for shifts to IBFs) <sup>3</sup>	19.6	24.1	.6 (11.3)	-11.4 (20.2)	8.6 (16.5)	20.9 (21.1)	7.9 (17.8)
14. Line 13 plus loans at foreign branches <sup>5</sup> (Adjusted for shifts to IBFs) <sup>3</sup>	19.3	25.9	4.1 (14.5)	-8.8 (21.9)	8.3 (16.2)	20.2 (20.2)	8.6 (18.3)
15. Finance company loans to business <sup>6</sup>	19.3	14.7	7.6	7.5	-1.5	n.a.	n.a.
16. Total bankers acceptances outstanding <sup>6</sup>	26.6	16.6	20.9	19.6	1.8	n.a.	n.a.

1. Average of Wednesdays for domestically 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.

3. Numbers in parentheses have been adjusted to remove the effects of shifts of assets and liabilities to International Banking Facilities (IBFs).

4. Average of Wednesdays.

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

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

n.a.--not available.

March 26, 1982

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

	1981		1982			Change from:	
	Highs	Nov.-Dec. Lows	FOMC Feb. 2	Intermtg. Low	Mar. 25	Nov.-Dec. Lows	FOMC Feb. 2
<u>Short-term rates</u>							
Federal funds <sup>2</sup>	20.06	12.04	14.77	13.86	14.48	2.44	-.29
Treasury bills							
3-month	17.01	9.94	13.61	12.00	12.75	2.81	-.86
6-month	15.93	10.34	13.59	12.20	12.80	2.46	-.79
1-year	15.21	10.42	13.10	11.99	12.50	2.08	-.60
Commercial paper							
1-month	18.63	11.17	14.91	13.30	13.80	2.63	-1.11
3-month	18.29	11.04	14.65	13.15	13.81	2.77	-.84
Large negotiable CDs <sup>3</sup>							
1-month	18.90	11.16	14.87	13.43	14.13	2.97	-.74
3-month	19.01	11.23	15.03	13.40	14.31	3.08	-.72
6-month	18.50	11.64	15.23	13.34	14.35	2.71	-.88
Eurodollar deposits <sup>2</sup>							
1-month	19.80	11.86	14.84	14.34	14.88	3.02	.04
3-month	19.56	12.16	15.24	14.41	14.95	2.79	-.29
Bank prime rate	21.50	15.75	16.50	16.50	16.50	.75	0
Treasury bill futures							
June 1982 contract	14.46	10.58	13.86	12.03	12.64	2.06	-1.22
Dec. 1982 contract	14.20	11.07	13.93	12.43	12.96	1.89	-.97
<u>Intermediate- and long-term rates</u>							
U.S. Treasury (constant maturity)							
3-year	16.59	12.54	14.69	13.70	14.22	1.68	-.47
10-year	15.84	12.92	14.47	13.59	13.90	.98	-.57
30-year	15.20	12.76	14.26	13.35	13.49	.73	-.77
Municipal (Bond Buyer)	13.44	11.43	13.15 <sup>4</sup>	12.53	13.04	1.61	-.11
Corporate--Aaa utility							
Recently offered	17.72	14.52	15.78 <sup>e</sup>	15.15	15.08 <sup>p</sup>	.56	-.70
S&L fixed-rate mortgage commitment	18.63	16.90	17.59 <sup>5</sup>	17.19	17.12 <sup>5</sup>	.22	-.47
	1981		1982			Percent change from:	
		FOMC		Intermtg.		1981	FOMC
	Highs	Feb. 2		Low	Mar. 25	Highs	Feb. 2
<u>Stock Prices</u>							
Dow-Jones Industrial	1,024.05	852.55	795.47	827.63		-19.2	-2.9
NYSE Composite	79.14	68.17	62.03	65.15		-17.7	-4.4
NYSE Composite	380.36	288.98	244.66	262.13		-31.1	-9.3
NASDAQ (OTC)	223.47	187.46	167.92	175.83		-21.3	-6.2

1. One-day quotes except as noted.

2. Averages for statement week closest to date shown.

3. Secondary market.

p--preliminary. e--estimated.

4. One-day quotes for preceding Thursday.

5. One-day quotes for preceding Friday.