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CONFIDENTIAL (FR)
CLASS II - FOMC

January 27, 1984

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

THE DOMESTIC NONFINANCIAL ECONOMY

Major Collective Bargaining in 1983

Union wage adjustments in 1983 in major settlements (those covering 1,000 or more workers) were the lowest in the sixteen-year history of the series. First-year wage increases for the 3 million workers who negotiated new settlements averaged 2.6 percent--down sharply from the 9.3 percent increase that they received the last time they bargained. In 1982, first-year wage settlements averaged 3.8 percent. In both years, wage freezes and pay cuts contributed importantly to lowering the average first-year wage change, and the contribution of new settlements to total effective wage change for all of the 7.8 million workers covered by major contracts dropped sharply. Cost-of-living adjustments also have been much smaller, owing largely to lower rates of inflation; wage adjustments from COLAs reflected around 53 percent of the rise in consumer prices for the 2.3 million workers who were scheduled for COLA reviews in 1983. Deferred increases from prior contracts remained relatively large in 1983--almost 6 percent for the 3.3 million workers who received them.

NEGOTIATED WAGE-RATE CHANGES
UNDER MAJOR COLLECTIVE BARGAINING SETTLEMENTS¹
(percent change)

	1981	1982	Same parties as during 1983 under prior settlements	1983
All Industries				
First-year adjustments	9.8	3.8	9.3	2.6
Average over life of contract	7.9	3.6	6.8	2.8
Workers affected (in thousands)	2382	3257	---	3013
Contracts with COLAs				
First-year adjustments	8.0	2.2	n.a.	2.0
Average over life of contract	5.5	2.1	n.a.	2.0
Workers affected (in thousands)	659	2162	---	1576
Contracts without COLAs				
First-year adjustments	10.6	7.0	n.a.	3.3
Average over life of contract	8.8	6.6	n.a.	3.8
Workers affected (in thousands)	1723	1095	---	1437

Manufacturing				
First-year adjustments	7.2	2.8	n.a.	.3
Average over life of contract	6.1	2.6	n.a.	2.1
Workers affected	804	1724	---	1040
Construction				
First-year adjustments	13.5	6.5	n.a.	1.5
Average over life of contract	11.3	6.3	n.a.	2.3
Workers affected	594	407	---	667
Nonmanufacturing, Nonconstruction				
First-year adjustments	9.8	4.3	n.a.	5.0
Average over life of contract	7.3	4.1	n.a.	3.7
Workers affected	984	1126	---	1306

1. Contracts covering 1,000 or more workers; estimates exclude potential gains under cost-of-living clauses.

SIZE DISTRIBUTION OF FIRST-YEAR WAGE RATE ADJUSTMENTS IN
MAJOR COLLECTIVE BARGAINING SETTLEMENTS
(Percent change)

	1981	1982	1983
Decreases	5	2	15
No wage change	3	43	22
0 to 4	3	9	13
4 to 8	9	23	40
8 and over	61	24	10
Mean adjustment	9.8	3.8	2.6
Number of workers (in thousands)	2,382	3,257	3,013

EFFECTIVE WAGE CHANGE IN MAJOR UNION
CONTRACTS AND ITS COMPONENTS

	Total Effective Wage Change	Contribution of:		
		Prior Settlements	New Settlement	COLA
1978	8.2	3.7	2.0	2.4
1979	9.1	3.0	3.0	3.1
1980	9.9	3.5	3.6	2.8
1981	9.5	3.8	2.5	3.2
1982	6.8	3.6	1.7	1.4
1983	3.9	2.5	.8	.6

January 27, 1964

U.S. Merchandise Trade
(In billions of dollars, seasonally adjusted annual rates)

	<u>Census Basis 1/ -- CIF Value</u>			<u>BOP and GNP bases 3/</u>
	<u>Exports</u> (1)	<u>Imports 2/</u> (2)	<u>Balance 2/</u> (3)	<u>Balance</u> (4)
<u>Year:</u>				
1981	233.7	273.4	-39.7	-28.1
1982	212.2	254.9	-42.7	-36.4
1983	200.5	269.9	-69.4	n.a.
<u>Quarters:</u>				
1982 - 1	222.6	259.6	-36.9	-24.4
2	219.8	248.2	-28.4	-23.4
3	211.4	265.1	-53.7	-52.3
4	195.5	246.7	-51.2	-45.4
1983 - 1	201.9	245.0	-43.1	-35.2
2	194.6	260.4	-65.8	-58.6
3	202.6	280.0	-77.4	-72.7
4	203.9	294.6	-90.7	n.a.
<u>Months:</u>				
1983 - Jan.	208.7	251.5	-42.8	-40.0
Feb.	195.9	238.9	-43.0	-32.1
Mar.	201.0	244.6	-43.6	-33.6
Apr.	192.9	248.1	-55.2	-50.8
May	186.8	269.7	-82.9	-67.1
June	204.1	263.6	-59.5	-58.1
July	199.5	275.8	-76.3	-69.0
Aug.	199.6	285.8	-86.2	-81.2
Sept.	208.6	278.3	-69.7	-67.8
Oct.	203.4	311.0	-107.6	-98.6
Nov.	202.2	291.0	-88.8	-75.8
Dec.	206.2	281.8	-75.6	n.a.

1/ Published monthly by the Census Bureau.

2/ CIF value includes insurance and freight charges for imports only.

3/ Data as defined and used in the Balance of Payments Account and in the GNP Account -- does not include insurance and freight charges for imports. In addition, different seasonal factors are used than in Census basis data.

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

	1983						Growth from base period to Q4 1983 ²
	Q2	Q3	Q4	Oct.	Nov.	Dec.	
----- Percentage change at annual rates -----							
M1	12.2	8.9	2.1	1.9	0.9	6.5	5.5
2. (M1) ³	(12.6)	(6.6)	(3.9)	(4.7)	(7.0)	(0.7)	(5.3)
3. M2	10.1	7.8	7.0	9.1	7.2	5.5	7.8
4. M3	8.1	8.3	8.7	8.3	11.6	6.4	9.1
							Levels in billions of dollars Dec. 1983
<u>Selected components</u>							
5. Currency	10.6	7.8	9.3	10.1	9.2	5.8	146.0
6. Demand deposits	4.0	4.6	-3.4	-2.5	-6.4	7.5	243.1
7. Other checkable deposits	30.6	19.4	3.8	0.0	4.8	5.7	127.2
8. M2 minus M1 (9+10+11+14)	9.4	7.5	8.6	11.3	9.2	5.2	1663.5
9. Overnight RPs and Eurodollars, NSA ⁴	46.4	-9.6	25.1	77.0	-25.5	19.6	56.1
10. General purpose and broker/dealer money market mutual fund shares, NSA	-44.0	-11.2	-0.9	1.7	7.8	-6.1	138.0
11. Commercial banks	16.5	12.3	11.9	13.1	14.9	7.8	714.7
12. Savings deposits, SA, plus MMDAs, NSA ⁵	62.4	10.1	4.3	3.4	8.4	6.7	362.4
13. Small time deposits	-24.1	14.9	20.1	23.1	21.7	9.3	352.4
14. Thrift institutions	12.4	8.0	6.0	7.0	6.5	3.3	762.0
15. Savings deposits, SA, plus MMDAs, NSA ⁵	56.8	2.8	-9.3	-8.7	-11.7	-10.3	322.3
16. Small time deposits	-18.0	12.3	18.2	19.4	20.2	13.8	439.7
17. M3 minus M2 (18+21+22)	-2.4	10.6	17.9	3.9	35.1	11.1	415.2
Large time deposits	-0.5	13.8	16.8	8.3	18.8	15.9	329.2
At commercial banks, net ⁶	-15.6	-4.4	0.5	-12.7	11.8	11.7	228.8
At thrift institutions	55.4	71.9	60.0	63.4	35.1	24.4	100.4
21. Institution-only money market mutual fund shares, NSA	-41.9	-14.9	15.5	24.6	21.1	-11.8	40.2
22. Term RPs, NSA	31.2	0.0	27.1	-37.3	137.3	14.8	49.3
-- Average monthly change in billions of dollars --							
<u>MEMORANDA:</u>							
23. Managed liabilities at commercial banks (24+25)	-0.2	-2.9	5.5	-8.8	19.6	5.8	383.1
24. Large time deposits, gross	-4.3	-1.2	0.3	-5.1	2.6	3.4	284.2
25. Nondeposit funds	4.1	-1.7	5.2	-3.7	17.0	2.4	98.9
26. Net due to related foreign institutions, NSA	2.4	1.2	2.9	-4.3	8.8	4.3	-42.7
27. Other ⁷	1.7	-2.9	2.3	0.7	8.1	-1.9	141.6
28. U.S. government deposits at commercial banks ⁸	0.2	1.2	-1.6	5.2	-10.4	0.4	11.7

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

2. The base period for M1 is Q2 1983. The base period for M2 is February/March 1983. The base period for M3 is Q4 1982.

3. M1 seasonally adjusted using an experimental model-based procedure applied to weekly data.

4. Overnight and continuing contract RPs issued to the nonbank public by commercial banks plus overnight Eurodollar deposits issued by branches of U.S. banks to U.S. nonbank customers, both net of amounts held by money market mutual funds. Excludes retail RPs, which are in the small time deposit component.

5. Beginning December 1982, growth rates are for savings deposits, seasonally adjusted, plus money market deposit accounts (MMDAs), not seasonally adjusted. Commercial bank savings deposits excluding MMDAs declined during October, November, and December at rates of 10.5, 7.9 and 11.5 respectively. At thrift institutions, savings deposits excluded

MMDAs declined during October, November, and December at rates of 3.9, 10.5 and 18.6 respectively. of large-denomination time deposits held by money market mutual funds and thrift institutions.

6. 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. Data are partially estimated.

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

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

	1983						Levels in bil. of dollars Dec. 1983
	Q2	Q3	Q4 ^P	Oct.	Nov.	Dec. ^P	
----- Commercial Bank Credit -----							
1. Total loans and securities at banks ²	9.9	8.6	12.0	9.9	13.7	13.1	1604.0
2. Securities	23.9	6.3	10.5	13.8	12.3	5.0	435.1
3. Treasury securities	53.5	13.3	24.6	36.6	25.7	12.2	188.1
4. Other securities	5.8	1.3	0.3	-2.9	2.9	0.5	247.0
5. Total loans ²	4.8	9.5	12.7	8.5	14.1	16.0	1134.1
6. Business loans ²	-1.3	7.6	9.0	6.9	8.0	13.3	414.9
7. Security loans	-5.3	25.1	60.8	75.9	47.6	45.8	27.2
8. Real estate loans	9.7	11.6	11.3	11.0	10.6	11.2	335.2
9. Consumer loans	10.3	15.8	22.7	24.8	19.2	22.8	219.5
----- Short- and Intermediate-Term Business Credit -----							
10. Business loans net of bankers acceptances	-0.4	7.4	9.2	5.2	9.0	14.7	406.7
11. Commercial paper issued by non- financial firms ³	-23.5	5.4	24.7	21.1	5.2	46.6	48.2
Sum of lines 10 & 11	-2.8	7.1	11.0	7.1	8.4	17.4	454.9
13. Line 12 plus loans at foreign branches ⁴	-2.2	6.9	11.0	9.9	8.3	15.7	472.5
14. Finance company loans to business ⁵	7.8	17.8	n.a.	34.5	18.8	n.a.	n.a.
15. Total bankers acceptances outstanding ⁵	-7.3	20.5	n.a.	-17.8	41.2	n.a.	n.a.
16. Total short- and intermediate- term business credit (sum of lines 13, 14 and 15)	-1.5	9.9	n.a.	9.8	14.6	n.a.	n.a.

p--preliminary

n.a.--not available.

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. Average of Wednesdays.

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

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

SELECTED FINANCIAL MARKET QUOTATIONS¹
(Percent)

	1982		1983			1984	Change from:	
	Highs	FOMC Dec. 21	Spring lows	FOMC Nov. 15	FOMC Dec. 20	Jan. 26	Spring lows	FOMC Dec. 20
Short-term rates								
Federal funds ²	15.61	8.69	8.48	9.42	9.62	9.53	1.05	-.09
Treasury bills								
3-month	14.57	7.90	7.96	8.78	9.04	8.93	.97	-.11
6-month	14.36	8.01	7.97	8.94	9.24	8.98	1.01	-.26
1-year	13.55	8.11	7.95	9.06	9.27	9.03	1.08	-.24
Commercial paper								
1-month	15.73	8.48	8.17	9.14	9.83	9.18	1.01	-.65
3-month	15.61	8.43	8.13	9.14	9.78	9.17	1.04	-.61
Large negotiable CDs ³								
1-month	15.94	8.59	8.26	9.25	9.97	9.27	1.01	-.70
3-month	16.14	8.62	8.26	9.42	9.86	9.40	1.14	-.46
6-month	16.18	8.78	8.29	9.59	9.95	9.52	1.23	-.43
Eurodollar deposits ²								
1-month	16.36	9.44	8.68	9.45	10.39	9.54	.86	-.85
3-month	16.53	9.56	8.71	9.75	10.36	9.75	1.04	-.61
Bank prime rate	17.00	11.50	10.50	11.00	11.00	11.00	.50	0
Treasury bill futures								
Mar. 1984 contract	13.55	9.32	8.37	9.30	9.52	8.96	.59	-.56
Sept. 1984 contract	11.48	9.80	8.71	9.88	10.05	9.58	.87	-.47
Intermediate- and long-term rates								
U.S. Treasury (constant maturity)								
3-year	15.16	9.87	9.36	10.96	11.14	10.90	1.54	-.24
10-year	14.95	10.54	10.12	11.70	11.86	11.63	1.51	-.23
30-year	14.80	10.53	10.27	11.72	11.94	11.70	1.43	-.24
Municipal revenue (Bond Buyer index)	14.32	10.81 ⁴	9.21	10.18 ⁴	10.56 ⁴	9.95	.74	-.61
Corporate--A utility Recently offered	17.47	12.90 ^e	11.64	13.13 ^e	13.45 ^e	12.86 ^p	1.22	-.59
Home mortgage rates								
S&L fixed-rate	17.66	13.63 ⁵	12.55	13.47 ⁵	13.42 ⁵	13.35 ⁵	.80	-.07
FNMA ARM, 1-yr.	17.41	11.13 ⁵	10.54	11.40 ⁵	11.60 ⁵	11.40 ⁵	.86	-.20
	1982	1983		1984		Percent change from:		
	Lows	Highs	FOMC Nov. 15	FOMC Dec. 20	Jan. 26	1983 highs	FOMC Dec. 20	
Stock prices								
Dow-Jones Industrial	776.92	1248.30	1247.97	1241.97	1229.69	-1.5	-1.0	
NYSE Composite	58.80	99.01	95.49	93.64	94.88	-4.2	1.3	
1EX Composite	118.65	246.38	219.38	217.40	221.84	-10.0	2.0	
ASDAQ (OTC)	159.14	328.91	278.92	274.51	275.61	-16.2	.4	

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. One-day quotes for preceding Friday.

e--estimated, p--preliminary.