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CONFIDENTIAL (FR)  
CLASS III FOMC

September 20 1996

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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THE DOMESTIC NONFINANCIAL ECONOMY

Housing

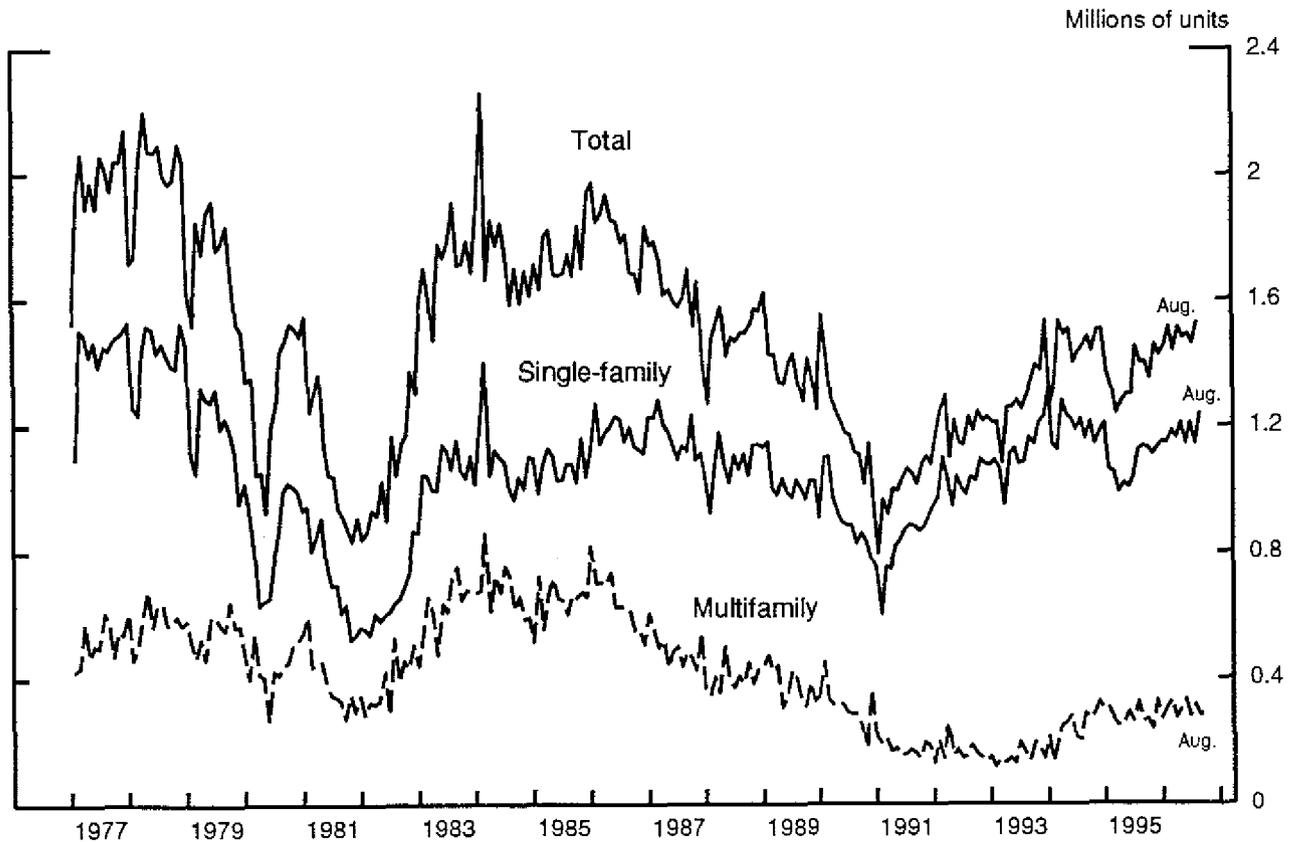
Total private housing starts rose 4-1/2 percent in August to 1.53 million units at an annual rate; total starts in July were revised up slightly. An 8-1/4 percent increase in single-family starts more than accounted for the August increase. At a 1.24 million unit annual rate, single-family starts in August reached the highest level recorded since early 1994. In contrast, the signal from the permits data was not as robust: Permits for single-family houses were flat in August and have moved lower since last spring, boosting the ratio of single-family starts to permits to 1.15, a relatively high level by historical standards. As discussed in Part 2 of the Greenbook, other indicators of activity in the single-family market for August also paint a less upbeat picture than the starts figures: Multifamily housing starts fell 9-1/2 percent last month, retracing most of their July increase.

**Private Housing Activity**  
(Millions of units; seasonally adjusted annual rate)

	1995		1996				
	1995	Q4	Q1	Q2 <sup>r</sup>	June <sup>r</sup>	July <sup>r</sup>	Aug. <sup>P</sup>
<i>All units</i>							
Starts	1.35	1.41	1.47	1.49	1.49	1.46	1.53
Permits	1.33	1.44	1.41	1.44	1.42	1.46	1.39
<i>Single-family units</i>							
Starts	1.08	1.13	1.16	1.19	1.21	1.14	1.24
Permits	1.00	1.08	1.08	1.10	1.09	1.07	1.07
New home sales	0.67	0.68	0.75	0.74	0.73	0.78	n.a.
Existing home sales	3.80	3.98	3.95	4.21	4.16	4.14	n.a.
<i>Multifamily units</i>							
Starts	0.28	0.28	0.31	0.31	0.28	0.32	0.29
Permits	0.33	0.36	0.33	0.34	0.33	0.38	0.32
<i>Mobile homes</i>							
Shipments	0.34	0.35	0.35	0.37	0.37	0.37	n.a.

Note. p Preliminary. r Revised. n.a. Not available.

**Private Housing Starts**  
(Seasonally adjusted annual rate)



**Selected Financial Market Quotations<sup>1</sup>**  
(Percent except as noted)

Instrument	1996				Change to Sep. 19, from:			
	Feb. low	July high	FOMC, Aug. 20	Sep. 19	Feb. low	July high	FOMC, Aug. 20	
<b>Short-term rates</b>								
Federal funds <sup>2</sup>	5.15	5.39	5.24	5.23	0.08	-0.16	-0.01	
Treasury bills <sup>3</sup>								
3-month	4.76	5.21	5.04	5.11	0.35	-0.10	0.07	
6-month	4.67	5.40	5.11	5.26	0.59	-0.14	0.15	
1-year	4.55	5.64	5.32	5.53	0.98	-0.11	0.21	
Commercial paper								
1-month	5.27	5.50	5.37	5.45	0.18	-0.05	0.08	
3-month	5.12	5.59	5.40	5.54	0.42	-0.05	0.14	
Large negotiable CDs <sup>3</sup>								
1-month	5.21	5.44	5.31	5.38	0.17	-0.06	0.07	
3-month	5.12	5.59	5.38	5.32	0.20	-0.27	-0.06	
6-month	4.99	5.83	5.54	5.73	0.74	-0.10	0.19	
Eurodollar deposits <sup>4</sup>								
1-month	5.13	5.38	5.28	5.38	0.25	0.00	0.10	
3-month	5.13	5.56	5.38	5.50	0.37	-0.06	0.12	
Bank prime rate	8.25	8.25	8.25	8.25	0.00	0.00	0.00	
<b>Intermediate- and Long-term Rates</b>								
U.S. Treasury (constant maturity)								
3-year	4.98	6.62	6.14	6.46	1.48	-0.16	0.32	
10-year	5.58	7.06	6.59	6.87	1.29	-0.19	0.28	
30-year	6.02	7.19	6.80	7.05	1.03	-0.14	0.25	
Municipal revenue (Bond Buyer) <sup>5</sup>	5.67	6.24	5.98	6.12	0.45	-0.12	0.14	
Corporate-A utility, recently offered	7.18	8.23	7.83	8.03	0.85	-0.20	0.20	
High-yield corporate <sup>6</sup>	9.57	10.36	10.00	9.98	0.41	-0.38	-0.02	
Home mortgages <sup>7</sup>								
FHLMC 30-yr fixed rate	6.94	8.42	7.88	8.14	1.20	-0.28	0.26	
FHLMC 1-yr adjustable rate	5.19	6.01	5.89	5.90	0.71	-0.11	0.01	
	Record high		1996			Percentage change to Sep. 19, from:		
	Level	Date	July low	FOMC, Aug. 20	Sep. 19	Record high	July low	FOMC, Aug. 20
<b>Stock exchange index</b>								
Dow-Jones Industrial	5889.20	9/16/96	5346.55	5721.26	5867.74	-0.36	9.75	2.56
NYSE Composite	365.42	9/16/96	336.07	356.61	363.94	-0.41	8.29	2.06
S&P 500 Composite	683.98	9/16/96	626.65	665.69	683.00	-0.14	8.99	2.60
NASDAQ (OTC)	1249.15	6/5/96	1042.37	1124.67	1212.09	-2.97	16.28	7.77
Wilshire 5000	6758.69	5/24/96	6099.34	6504.57	6701.74	-0.84	9.88	3.03

1. One-day quotes except as noted.

2. Average for two-week reserve maintenance period closest to date shown. Last observation is the average to date ending September 25, 1996.

3. Secondary market.

4. Bid rates for Eurodollar deposits at 11 a.m. London time.

5. Most recent observation based on one-day Thursday quote and futures market index changes.

6. Merrill Lynch MasterII high bond index composite.

7. Quotes for week ending Friday previous to date shown.

**Commercial Bank Credit**  
(Percentage change; seasonally adjusted annual rate)<sup>1</sup>

Type of credit	1995	1996 Q1	1996 Q2	1996 Jun	1996 Jul	1996 Aug	Level, Aug 1996 (billions of \$)
1. Total loans and securities	8.7	5.3	2.6	1.5	1.0	-1.0	3,668.8
2. Securities	3.5	.6	-2.9	-10.2	-6.7	-10.8	966.4
3. U.S. government	-3.1	-2.5	.7	-11.1	-.2	-9.7	702.3
4. Other <sup>2</sup>	25.6	8.4	-11.5	-7.9	-23.8	-14.4	264.0
5. Loans <sup>3</sup>	10.8	7.1	4.6	5.9	3.8	2.5	2,702.4
6. Business	11.6	7.4	5.2	5.1	6.3	2.3	744.2
7. Real estate	8.5	4.8	3.2	3.6	1.1	7.3	1,109.3
8. Home equity	5.2	4.6	-1.0	-6.0	6.1	9.1	80.1
9. Other	8.7	4.8	3.5	4.2	.7	7.3	1,029.2
10. Consumer	10.7	6.9	4.9	12.3	4.7	4.0	514.2
11. Adjusted <sup>4</sup>	17.7	13.9	9.3	15.2	6.7	10.6	671.3
12. Security	14.4	-3.3	-8.0	-7.3	-26.3	-53.8	76.7
13. Other <sup>5</sup>	18.4	21.0	12.8	10.0	15.5	-3.2	257.9

1. Monthly levels are *pro rata* averages of Wednesday data. Quarterly and annual levels (not shown) are simple averages of monthly levels and levels for the fourth quarter respectively. Growth rates shown are percentage changes in consecutive levels, annualized but not compounded.

2. Includes municipal securities, foreign government securities, corporate bonds, equities, and trading account assets.

3. Excludes interbank loans.

4. Includes estimates of consumer loans that have been securitized by banks and are still outstanding.

5. Includes loans to nonbank financial institutions, farmers, state and local governments, banks abroad, foreign governments, and all others not elsewhere classified. Also includes lease financing receivables.