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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 NONFINANCIAL ECONOMY

Personal Income

Disposable personal income jumped \$40 billion in July as taxes were cut by \$29 billion; increases in private payrolls accounted for most of the before-tax income gain. Private payrolls grew at a \$10.8 billion annual rate in July--about the same as the monthly average during the first half of the year but off a bit from the second-quarter pace. Transfer payments declined for the second consecutive month owing to the shrinking number of claimants for unemployment insurance. But personal interest income rose \$1-3/4 billion for a third month, apparently reflecting the recent rise in interest rates. Farm income fell in both June and July when prices were still falling. According to the Bureau of Economic Analysis, the PIK program did not contribute to farm income in July, although the Department of Agriculture has begun issuing title to grain stockpiles. BEA expects to reflect the PIK income in its data later in the third quarter.

Outlays grew only \$9 billion in July compared with an average monthly increase of \$28 billion during the second quarter, and the saving rate climbed from a pre-tax cut level of 3.7 percent in June to 5 percent in July. The slowdown in consumption growth during June and July from the rapid April-May pace occurred primarily in durable goods spending although growth of outlays for services and nondurables also moderated.

PERSONAL INCOME
(Based on seasonally adjusted data)

	1981	1982	1983				
			Q1	Q2	May	June	July
- - Percentage changes at annual rates ¹ - -							
Total personal income	11.1	4.6	4.0	9.0	14.8	5.9	6.8
Wage and salary disbursements	8.4	3.6	6.4	9.7	14.8	6.5	8.8
Private	8.5	2.8	6.4	10.4	13.7	10.2	9.7
Disposable personal income							
Nominal	11.1	5.1	5.2	8.6	10.4	4.4	20.9
Real	3.4	.2	2.9	3.3	6.6	2.3	--
- - Changes in billions of dollars ² - -							
Total personal income	18.9	10.6	8.4	21.8	33.2	13.3	15.4
Wage and salary disbursements	8.8	5.1	8.3	14.8	20.1	8.9	12.2
Private	7.0	3.4	6.9	13.4	14.9	11.3	10.8
Manufacturing	1.0	-.6	3.7	4.5	4.0	3.8	5.1
Other income	11.3	6.0	1.3	8.0	14.3	5.1	3.8
Transfer payments	2.8	4.2	-.3	1.5	4.0	-.3	-.7
Less: personal contributions for social insurance	1.2	.5	1.2	.9	1.2	.7	.6
Disposable personal income							
Nominal	15.8	10.0	9.1	16.2	19.9	8.4	40.3
Real	2.0	1.0	2.1	2.9	5.9	2.1	--
Memorandum:							
Personal saving rate	6.6	5.8	5.2	4.0	3.8	3.7	5.0

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 periods are compounded rates of change; monthly changes are not compounded.

2. Average monthly changes are from the final month of the preceding period to the final month of period indicated; monthly figures are changes from the preceding month.

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

	1982		1983				Growth from base period to July 1983 ²
	Q4	Q1	Q2	May	June	July	
----- Percentage change at annual rates -----							
<u>Money stock measures</u>							
1. M1	13.1	14.1	12.2	26.3	10.2	8.9	12.2
2. (M1) ³	(14.5)	(13.8)	(12.7)	(21.4)	(7.6)	(3.3)	(7.7)
3. M2	9.3	20.3	10.1	12.4	10.4	6.3	8.4
4. M3	9.5	10.2	8.2	11.0	11.0	5.1	9.1
<u>Selected components</u>							
5. Currency	7.4	10.9	10.6	11.3	8.6	5.1	140.9
6. Demand deposits	8.4	2.7	4.0	18.1	7.4	8.4	245.7
7. Other checkable deposits	34.0	46.2	30.6	61.6	17.9	14.7	124.2
8. M2 minus M1 (9+10+11+14)	8.1	22.4	9.4	8.1	10.4	5.5	1609.9
9. Overnight RPs and Eurodollars, NSA ⁴	23.9	34.2	47.3	106.7	17.4	-75.1	52.4
10. General purpose and broker/dealer money market mutual fund shares, NSA	15.3	-57.5	-44.0	-45.8	-12.8	-10.3	138.4
11. Commercial banks	9.9	57.8	16.5	12.7	14.6	13.0	682.6
12. Savings deposits, SA, plus MMDAs, NSA ⁵	35.5	296.1	62.4	34.4	25.5	2.7	356.6
13. Small time deposits	-0.5	-48.5	-24.1	-10.1	2.6	24.4	326.0
14. Thrift institutions	4.1	14.7	12.4	7.6	10.2	8.4	744.2
15. Savings deposits, SA, plus MMDAs, NSA ⁵	30.3	171.0	56.8	28.2	18.1	-4.3	335.3
16. Small time deposits	-6.0	-51.0	-18.0	-8.3	3.6	18.8	408.9
17. M3 minus M2 (18+21+22)	10.4	-36.5	-2.0	3.2	14.8	-1.2	384.6
18. Large time deposits	4.2	-43.0	-0.1	-3.6	20.8	6.3	306.3
19. At commercial banks, net ⁶	-1.5	-49.9	-15.0	-21.3	12.7	-15.2	226.5
20. At thrift institutions	29.3	-14.6	55.4	57.2	46.3	71.7	79.8
21. Institution-only money market mutual fund shares, NSA	32.7	-32.7	-41.9	-17.6	-35.6	-18.4	38.6
22. Term RPs, NSA	34.4	19.4	31.2	73.1	-21.2	-45.8	42.8
-- Average monthly change in billions of dollars --							
<u>MEMORANDA:</u>							
23. Managed liabilities at commercial banks (24+25)	-5.2	-19.6	1.3	1.4	-2.1	-13.5	361.7
24. Large time deposits, gross	-6.5	-17.1	-2.8	-9.2	0.5	-1.7	285.8
25. Nondeposit funds	1.3	-2.5	4.1	10.6	-2.6	-11.8	75.9
26. Net due to related foreign institutions, NSA	-0.7	-4.9	2.4	4.7	2.7	-3.7	-58.8
27. Other ⁷	2.0	2.5	1.7	5.9	-5.3	-8.1	134.7
28. U.S. government deposits at commercial banks ⁸	0.3	0.2	0.2	-2.2	1.7	11.0	24.0

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 for M1 is the second-quarter 1983 average. The base period for M2 is the February-March 1983 average. The base period for M3 is the fourth-quarter 1982 average.

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. Savings deposits excluding MMDAs were unchanged in May and June and declined at an annual rate of 10.2 in July. At thrift institutions, saving deposits excluding MMDAs increased during May and June at rates of 10.6 percent, 12.5 percent, and declined at an annual rate of 2.0 in July.

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

7. 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

	1982	1983					Levels in
	Q4	Q1	Q2	May	June	July	bil. of dollars July 1983
----- Commercial Bank Credit -----							
1. Total loans and securities at banks ²	6.3	10.7	9.9	10.7	10.0	9.7	1502.6
2. Securities	15.9	25.0	23.9	29.6	18.4	4.6	418.9
3. Treasury securities	43.0	61.1	53.5	63.1	36.8	11.9	172.9
4. Other securities	2.5	5.3	5.8	7.9	6.4	-1.0	246.0
5. Total loans ²	3.0	5.7	4.8	3.7	6.9	11.6	1083.6
6. Business loans ²	-0.3	3.9	-1.3	0.9	6.4	11.9	401.2
7. Security loans	37.2	-34.0	-5.3	26.2	-56.4	75.3	23.7
8. Real estate loans	4.8	7.1	9.7	8.5	13.0	9.1	319.4
9. Consumer loans	4.9	6.3	10.3	11.6	11.5	20.4	203.2
----- Short- and Intermediate-Term Business Credit -----							
10. Total short- and intermediate- term business credit (sum of lines 14, 15 and 16)	-3.0	-3.1	-1.5	0.2	5.6	n.a.	n.a.
11. Business loans net of bankers acceptances	0.5	3.6	-0.4	3.0	7.2	10.7	392.7
12. Commercial paper issued by non- financial firms ³	-39.6	-33.1	-23.5	-46.5	2.7	-13.4	44.3
13. Sum of lines 11 & 12	-4.6	-0.4	-2.9	-2.1	6.7	8.3	437.0
14. Line 13 plus loans at foreign branches ⁴	-4.9	0.3	-2.3	0.0	6.7	7.2	453.6
15. Finance company loans to business ⁵	-15.2	4.0	7.8	7.3	10.2	n.a.	n.a.
16. Total bankers acceptances outstanding ⁵	22.9	-30.9	-7.3	-5.1	-8.5	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. 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.

n.a.--not available.

SELECTED FINANCIAL MARKET QUOTATIONS¹
(Percent)

	1982		1983				Change from:	
	highs	FOMC Dec. 21	Recent low	FOMC May 24	FOMC July 13	FOMC Aug. 18	Recent low	FOMC July 13
<u>Short-term rates</u>								
Federal funds ²	15.61	8.69	8.48	8.72	9.21	9.67	1.19	.46
Treasury bills								
3-month	14.57	7.90	7.96	8.47	9.10	9.30	1.34	.20
6-month	14.36	8.01	7.97	8.48	9.30	9.41	1.44	.11
1-year	13.55	8.11	7.95	8.47	9.39	9.44	1.49	.05
Commercial paper								
1-month	15.73	8.48	8.17	8.48	9.19	9.40	1.23	.21
3-month	15.61	8.43	8.13	8.52	9.30	9.48	1.35	.18
Large negotiable CDs ³								
1-month	15.94	8.59	8.26	8.64	9.33	9.54	1.28	.21
3-month	16.14	8.62	8.26	8.73	9.58	9.71	1.45	.13
6-month	16.18	8.78	8.29	8.95	10.00	10.03	1.74	.03
Eurodollar deposits ²								
1-month	16.36	9.44	8.68	8.96	9.70	9.85	1.17	.15
3-month	16.53	9.56	8.71	9.14	10.05	10.30	1.59	.25
Bank prime rate	17.00	11.50	10.50	10.50	10.50	11.00	.50	.50
Treasury bill futures								
Sept. 1983 contract	13.97	8.63	7.99	8.72	9.51	9.31	1.32	-.20
Mar. 1984 contract	13.55	9.32	8.37	9.15	10.10	9.95	1.58	-.15
<u>Intermediate- and long-term rates</u>								
U.S. Treasury (constant maturity)								
3-year	15.16	9.87	9.36	9.91	10.91	11.10	1.74	.19
10-year	14.95	10.54	10.12	10.56	11.40	11.70	1.58	.30
30-year	14.80	10.53	10.27	10.69	11.44	11.68	1.41	.24
Municipal (Bond Buyer)	13.44	10.05 ⁴	8.78	9.29 ⁴	9.55 ⁴	9.70	.92	.15
Corporate—Aaa utility Recently offered	16.34	11.96 ^e	11.03	11.55 ^e	12.38 ^e	12.70 ^p	1.67	.32
S&L fixed-rate mort- gage commitment	17.66	13.63 ⁵	12.55	12.55 ⁵	13.30 ⁵	13.84 ⁵	1.29	.54
	<u>1982</u>			<u>1983</u>			<u>Percent change from:</u>	
	lows	highs	FOMC May 24	FOMC July 13	FOMC Aug. 18		1983 high	FOMC July 13
<u>Stock prices</u>								
Dow-Jones Industrial	776.92	1248.30	1219.04	1197.82	1192.48		-4.5	-.4
NYSE Composite	58.80	99.01	95.58	95.90	94.73		-4.3	-1.2
AMEX Composite	118.65	246.38	229.30	241.07	230.98		-6.3	-4.2
NASDAQ (OTC)	159.14	328.91	307.36	314.59	299.78		-8.9	-4.7

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.

p—preliminary. e—estimated.