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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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Retail sales

Sales at retail stores rose 1.5 percent in August, according to advance, partial-sample estimates; new data indicate increases of 3.1 percent in July and 1.9 percent in June, both appreciably more than shown a month ago. Sales of all retail stores in August were 5-3/4 percent above the monthly average in the second quarter. Sales by automotive dealers, which rose 2-3/4 percent in August following a 12-3/4 percent jump in July, accounted for about a third of the August overall increase and two thirds of the total June rise. Excluding sales at automotive stores and places selling building materials, hardware, garden supplies, and mobile homes, sales advanced 1.2 percent in August, after a 1.3 percent rise in July; sales at these stores in August were 3.4 percent above the monthly average in the second quarter. Sales at general merchandise stores and at apparel and accessory stores rose even more sharply in August than they had in July; sales at furniture, home furnishings, and equipment stores rose moderately in August after a surge in July.

Business inventories

The book value of inventories held by manufacturing and trade establishments increased at a \$43.7 billion annual rate in July, up from the \$7.7 billion rate rise in June and the \$34.5 billion rate accumulation in the second quarter as a whole. The July rise in stocks was accompanied by a 2.9 percent increase in total sales and shipments, and the ratio of all inventories to sales for these businesses declined to 1.49 from 1.52 in June.

Retail trade inventories rose at a \$15-1/4 billion annual rate in book value terms in July, following a liquidation at a \$3 billion annual rate over the preceding two months and accumulation in the second quarter as a whole at a \$2.7 billion rate. Nearly all the accumulation in July was in nondurable goods, with relatively large increases widespread. Despite the large rise in retail trade inventories in July, the surge in sales at retail stores that month resulted in the ratio of inventories to sales edging down further from the April-May peak to 1.42.

RETAIL SALES
(Percentage change from previous period;
based on seasonally adjusted data)

	1979		1980				
	Q4	Q1	Q2	Aug./Q2	June	July	Aug.
Total sales	2.0	2.1	-3.6	5.8	1.9	3.1	1.5
(Real) ¹	-.4	-1.2	-5.7	--	1.5	2.5	--
Total, less auto and nonconsumption items	3.5	2.6	.2	3.4	1.4	1.3	1.2
GAF ²	1.7	-.1	-1.6	4.0	-.7	2.2	1.6
<u>Durable</u>	-1.5	.8	-12.0	12.6	3.0	8.3	2.4
Auto	-3.0	1.5	-16.6	18.9	4.9	12.8	2.8
Furniture & appliances	-1.1	1.0	-4.6	6.1	-.7	5.8	.4
<u>Nondurable</u>	3.9	2.8	.6	2.8	1.4	.9	1.0
Apparel	-.7	1.4	1.0	3.5	1.5	.8	1.2
Food	3.3	2.3	1.8	2.9	1.8	1.2	1.0
General merchandise ³	3.7	-1.2	-1.4	3.5	-1.5	1.4	2.2
Gasoline	7.7	9.2	5.1	5.0	4.3	1.4	.9

1. BCD series 59. Data are available approximately 3 weeks following the CPI release.

2. General merchandise, apparel, and furniture and appliance stores.

3. General merchandise excludes mail-order nonstores; mail-order sales are also excluded in the GAF composite sales summary.

BUSINESS INVENTORIES
 (Change at annual rates in seasonally
 adjusted book value; billions of dollars)

	1979				1980			
	Q1	Q2	Q3	Q4	Q1	Q2(r)	June(r)	July(p)
Manufacturing and trade	51.2	56.5	47.3	33.2	46.1	30.8	7.7	43.7
Manufacturing	30.2	35.0	28.3	25.8	41.1	20.4	2.7	10.9
Trade, total	21.0	21.5	19.0	7.5	5.0	10.4	5.0	32.8
Wholesale	13.2	4.7	12.6	6.1	7.2	7.7	5.8	17.5
Retail	7.8	16.8	6.4	1.4	-2.1	2.7	-.8	15.3
Durable	6.2	11.1	-1.4	-3.9	-3.2	-2.5	-1.8	1.0
Auto	3.9	9.1	-3.7	-4.7	-5.3	-4.1	-3.5	-.6
Nondurable	1.6	5.8	7.8	5.3	1.1	5.2	.9	14.3

Totals may not add due to rounding.

r = revised

p = preliminary

INVENTORY/SALES RATIOS

	1979				1980			
	Q1	Q2	Q3	Q4	Q1	Q2(r)	June(r)	July(p)
Manufacturing and trade	1.41	1.44	1.43	1.42	1.42	1.52	1.52	1.49
Manufacturing	1.49	1.55	1.55	1.57	1.57	1.71	1.72	1.68
Trade, total	1.34	1.34	1.31	1.29	1.27	1.34	1.33	1.31
Wholesale	1.23	1.18	1.17	1.15	1.15	1.22	1.22	1.21
Retail	1.45	1.50	1.46	1.44	1.40	1.46	1.44	1.42

r = revised

p = preliminary

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

	1979		1980			Aug. '79 to Aug. '80 ^e	
	Q4	Q1	Q2	June	July	Aug. ^e	Aug. '80 ^e
----- Commercial Bank Credit -----							
1. Total loans and investments at banks ²	3.4	11.5	-4.4	-2.8r	7.6r	17.1r	6.6r
2. Investments	3.5	7.3	11.0	17.1	26.1r	24.0r	11.3r
3. Treasury securities	-5.9	3.0	10.6	30.4	47.0r	40.5r	10.7r
4. Other securities	8.3	9.4	11.2	10.8	16.1	15.9	11.6
5. Total loans ²	3.4	12.8	-9.5r	-9.5r	1.1r	14.7r	5.0r
6. Business loans	6.0	16.4	-9.1r	-8.0r	2.0	20.9r	7.5r
7. Security loans	-88.5	-32.8	-23.8r	0.0r	-60.8r	64.0	-31.3
8. Real estate loans	14.2	11.9	1.0	-1.9	5.3	5.3	9.1
9. Consumer loans	5.5	3.7	-21.5	-25.6	-14.4	n.a.	n.a.
-- Short- and Intermediate-Term Business Credit --							
10. Total short- and intermediate- term business credit (sum of lines 13,14 and 15)	6.4	22.0	1.2	4.5	2.4r	n.a.	n.a.
11. Business loans net of bankers acceptances ¹	6.3	17.6	-10.5	-10.3	0.0r	22.0r	7.3r
12. Commercial paper issued by nonfinancial firms ³	15.5	76.2	86.9	87.7	16.9	-41.7	53.3
13. Sum of lines 11 & 12	7.0	23.1	-0.2	1.5	2.2r	13.0r	11.4
14. Finance company loans to business ⁴	4.0	-2.8	-4.0	-6.9	6.9	n.a.	n.a.
15. Total bankers acceptances outstanding ⁴	4.6	54.1	33.9	39.4	15.7	n.a.	n.a.

1. Average of Wednesdays for domestic 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.

. Average of Wednesdays.

Based on average of current and preceding ends of months.

e--estimated. n.a.--not available. r--revised.

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

	1979		1980			Aug. '79 to Aug. '80	
	Q4	Q1	Q2	June	July	Aug.	Aug. '80
---- Percentage change at annual rates ----							
<u>Money stock measures</u>							
1. M-1A	4.5	4.8	-3.9	11.4	7.8	19.6	4.3
2. M-1B	5.0	5.9	-2.4	14.6	11.1	21.9	5.7
3. M-2	7.1	7.2	5.5	18.1	17.7	14.2	9.1
4. M-3	9.1	7.8	5.7	13.4	13.4	13.6	9.3
<u>Selected components</u>							
5. Currency	8.5	8.3	7.0	9.8	10.8	15.0	9.4
6. Demand deposits	2.9	3.4	-8.3	12.1	6.0	22.0	2.3
7. Other checkable deposits, NSA ²	12.6	29.3	31.8	78.3	73.5	63.5	37.7
8. M-2 minus M-1B (9+10+11+14)	7.8	7.7	8.1	19.3	19.9	11.7	10.3
9. Overnight RPs and Eurodollars, NSA ³	-33.1	-7.5	-72.0	67.6	192.0	82.8	-2.4
10. Money market mutual fund shares, NSA	120.0	151.9	82.7	132.9	103.5	1.5	158.7
11. Commercial banks	8.6	6.9	9.8	10.9	13.5	10.7	9.3
12. savings deposits	-16.5	-19.3	-22.6	32.9	38.6	26.5	-8.0
13. small time deposits	32.1	29.1	33.9	-3.1	-3.1	0.0	25.6
14. Thrift institutions	3.7	-0.3	3.7	11.4	8.9	10.7	4.2
15. savings deposits	-26.0	-22.5	-27.1	23.7	37.6	29.5	-12.8
16. small time deposits	22.3	12.0	19.3	6.0	-3.8	1.6	15.0
17. Large time deposits	28.3	17.8	10.6	-22.0	-20.8	-0.5	12.3
18. at commercial banks, net ⁴	20.2	9.9	7.4	-25.9	-26.5	-3.2	6.2
19. at thrift institutions	90.8	72.6	28.9	0.0	10.0	9.9	59.4
20. Term RPs, NSA	-16.0	-31.9	-19.4	44.3	51.2	98.3	-1.6
--Average monthly change in billions of dollars--							
<u>MEMORANDA:</u>							
21. Managed liabilities at commercial banks (22+23)	-1.9	8.0	-6.6	-11.3	-4.9	-1.5	0.0
22. Large time deposits, gross	2.0	3.1	0.0	-5.0	-3.9	0.3	1.5
23. Nondeposit funds	-3.9	4.9	-6.6	-6.3	-1.0	-1.8	-1.5
24. Net due to related foreign institutions, NSA	-2.5	1.6	-6.0	-8.4	-4.1	-1.8	-2.0
25. Other ⁵	-1.4	3.3	-0.5	2.1	4.0	0.0	0.5
26. U.S. government deposits at commercial banks ⁶	-1.0	-0.2	0.3	-0.8	2.1	0.9	-0.1

1. Quarterly growth rates are computed on a quarterly average basis.

2. Consists of ATS and NOW balances at all institutions, credit union share draft balances, and demand deposits at mutual savings banks.

3. 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.

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

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), loans sold to affiliates, loans RPs, and other minor items.

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

SELECTED FINANCIAL MARKET QUOTATIONS¹
(Percent)

	1979	1980				Change from:		
	FOMC Oct. 5	Mar-Apr High	Mid-June** Low	FOMC Aug. 12	FOMC Sept. 11	Mar-Apr High	Mid-June Low	FOMC Aug. 12
<u>Short-term rates</u>								
Federal funds ²	11.91	19.39	8.99	8.85	10.22	-9.17	1.23	1.37
Treasury bills								
3-month	10.70	16.00	6.18	8.64	10.14	-5.86	3.96	1.50
6-month	10.63	15.64	6.60	8.89	10.38	-5.26	3.78	1.49
1-year	10.28	14.58	7.00	8.91	10.24	-4.34	3.24	1.33
Commercial paper								
1-month	11.73	18.00	7.98	9.08	10.51	-7.49	2.53	1.43
3-month	11.86	17.69	7.78	9.17	10.67	-7.02	2.89	1.50
6-month	11.84	17.25	7.59	9.23	10.75	-6.50	3.16	1.52
Large negotiable CDs ³								
1-month	12.09	17.87	7.96	9.26	10.46	-7.41	2.50	1.20
3-month	12.50	18.59	7.90	9.51	10.85	-7.74	2.95	1.34
6-month	12.80	18.47	7.66	9.84	11.28	-7.19	3.62	1.44
Eurodollar deposit ²								
1-month	12.45	19.04	8.88	9.70	10.74	-8.30	1.86	1.04
3-month	12.79	19.60	8.99	10.33	11.48	-8.12	2.49	1.15
Bank prime rate	13.50	20.00	12.00	11.00	12.00	-8.00	0	1.00
<u>Intermediate- and long-term rates</u>								
U.S. Treasury (constant maturity)								
3-year	10.01	14.53	8.56	10.16	11.27	-3.26	2.71	1.11
10-year	9.60	13.65*	9.47	10.98	11.32	-2.33	1.85	.34
30-year	9.36	12.85*	9.49	11.01	11.15	-1.70	1.66	.14
Municipal (Bond Buyer) ⁴	6.64	9.44	7.44	8.61	8.78	-.66	1.34	.17
Corporate Aaa								
New issue ⁵	10.22	14.22	10.53	12.03	12.25p	-1.97	1.72	.22
Recently offered ⁶	10.25	14.12	10.79	12.10	12.41p	-1.71	1.62	.31
Primary conventional mortgages ⁶	11.35	16.35	12.35	12.25	13.03	-3.32	.68	.78
	FOMC Oct. 5	Mar-Apr Low	Mid-June High	FOMC Aug. 12	FOMC Sept. 11	Mar-Apr Low	Mid-June High	FOMC Aug. 12
<u>Stock Prices</u>								
Dow-Jones Industrial	897.61	759.13	881.91	952.39	941.30	182.17	59.39	-11.09
NYSE Composite	63.39	55.30	66.36	70.92	72.64	17.34	6.28	1.72
AMEX Composite	235.15	215.69	297.60	318.96	339.99	124.30	42.39	21.03
NASDAQ (OTC)	152.29	124.09	159.18	176.62	188.16	64.07	28.98	11.54

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.
- *-- Highs reached on February 26.
 **-- Most lows occurred on or around June 13.
 p-- preliminary.