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December 18, 1981

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> |
|---|-------------|
| <b>THE DOMESTIC NONFINANCIAL ECONOMY</b>  |             |
| Housing starts and permits . . . . .  | 1           |
| Personal income and saving . . . . .  | 1           |
| Revised auto assembly schedules . . . . .   | 2           |
| Gross national product . . . . .  | 2           |
| <br><b>TABLES:</b>  |             |
| Private housing activity . . . . .  | 4           |
| Personal income . . . . .   | 5           |
| Gross national product and related items: Q-3 . . . . .                               | 7           |
| Monetary aggregates . . . . .   | 7           |
| Commercial bank credit and short- and intermediate-<br>term business credit . . . . . | 8           |
| Selected financial market quotations . . . . .  | 9           |
| <br><b>U.S. INTERNATIONAL TRANSACTIONS</b>  |             |
| International developments . . . . .  | 10          |
| <br><b>TABLES:</b>  |             |
| U.S. current account . . . . .  | 10          |
| Summary of U.S. international transactions . . . . .                                  | 11          |
| <br><b>CORRIGENDA</b> . . . . .   | <br>12      |

## SUPPLEMENTAL NOTES

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### Housing Starts and Permits

Total private housing starts remained quite depressed in November at a seasonally-adjusted 871,000 annual rate, up only slightly from the October pace. Total new building permits issued in November also were little changed from October's low level. Single-family starts increased 10 percent in November, but at a 560,000 unit annual rate the pace was still well below the record lows experienced prior to October. Multifamily starts declined by 13 percent in November to a level 40 percent below the pace in November of 1980. The volatility of multifamily activity during the autumn months, in some part, may reflect the fiscal year-end push in government-subsidized (Section 8) units.

### Personal Income and Saving

Personal income increased at a 7 percent annual rate in November, a little more than the sharply lower rate in October but still somewhat below the 10-3/4 percent increase over the preceding year. The larger rise last month mainly resulted from a larger increase than in October in wage and salary disbursements--at an 8-1/4 percent per year rate, despite a further sizable decline in employment; payrolls in manufacturing, where job losses have been most heavily concentrated in recent months, declined again. Interest income in November increased less than half as much as in the three preceding months, and proprietors' income, both farm and nonfarm, declined further.

Disposable personal income rose in November at a 5-3/4 percent annual rate, following a rise at a 13 percent rate in October. The large increase in October had reflected the reduction in personal tax payments resulting from provisions of the Economic Recovery Tax Act of 1981. Personal saving, reflecting a larger rise in consumption expenditures than in disposable income, declined in November, and the saving rate fell back to 5.9 percent from 6.4 percent in October.

#### Revised Auto Assembly Schedules

U.S. producers of automobiles have revised their schedules of planned assemblies. Following a seasonally adjusted annual rate of 4.8 million units in November, assemblies at a 4.7 million unit rate are scheduled for December and at a 4.6 million unit rate in January of 1982.

#### Gross National Product

Gross national product in the third quarter of this year is now indicated to have risen at a 1.4 percent annual rate, instead of 0.6 percent as estimated a month ago. The increase in nominal GNP is now shown to have been at a 11.4 percent annual rate; instead of at a 10.2 percent rate. According to the revised estimates, the GNP implicit price deflator rose at a 9.9 percent annual rate in the third quarter (instead of at a 9.5 percent rate), and the gross domestic business product fixed-weighted price index rose at a 9.9 percent rate (instead of at a 9.8 percent rate.)

Inventory accumulation in the third quarter was a bit larger than estimated a month ago--in both nominal and real terms; and real final sales are now indicated to have edged up a trifle instead of declining

negligibly. Among the components of final sales, residential investment is now indicated to have declined more than estimated earlier, personal consumption expenditures to have increased less, and business fixed investment to have increased more. The saving rate in the third quarter, at 5.2 percent, is only a trifle higher than estimated earlier.

Corporate profits from the third quarter production, that is, with adjustments to eliminate effects of price changes on inventory book values and on depreciating fixed assets at original cost, are now estimated to have risen at an 11-3/4 percent annual rate, up from almost a 2 percent rate rise estimated earlier. Book profits before taxes are now estimated to have risen at a 9-3/4 percent annual rate, up from about a 3-1/4 percent rate rise indicated earlier.

PRIVATE HOUSING ACTIVITY  
(Seasonally adjusted annual rates, millions of units)

| Type of unit          | 1980   |      | 1981 |      |       |      |                   |
|-----------------------|--------|------|------|------|-------|------|-------------------|
|                       | Annual | Q1   | Q2   | Q3   | Sept. | Oct. | Nov. <sup>1</sup> |
| <b>Total</b>          |        |      |      |      |       |      |                   |
| Permits               | 1.19   | 1.18 | 1.11 | .88  | .85   | .72  | .72               |
| Starts                | 1.29   | 1.39 | 1.18 | .97  | .92   | .86  | .87               |
| <b>Single-family</b>  |        |      |      |      |       |      |                   |
| Permits               | .71    | .69  | .64  | .49  | .45   | .40  | .40               |
| Starts                | .85    | .87  | .78  | .65  | .65   | .51  | .56               |
| <b>Sales</b>          |        |      |      |      |       |      |                   |
| New homes             | .53    | .51  | .45  | .36  | .31   | .36  | ...               |
| Existing homes        | 2.88   | 2.54 | 2.59 | 2.28 | 2.05  | 1.92 | ...               |
| <b>Multifamily</b>    |        |      |      |      |       |      |                   |
| Permits               | .48    | .49  | .47  | .38  | .40   | .32  | .32               |
| Starts                | .44    | .52  | .39  | .32  | .27   | .36  | .31               |
| Mobile home shipments | .22    | .25  | .26  | .24  | .24   | .21  | ...               |

1. Preliminary estimates.

PERSONAL INCOME  
(Based on seasonally adjusted data)

|   | 1979 | 1980 | 1981 |      |       |      |      |
|---|------|------|------|------|-------|------|------|
|   |      |      | Q2   | Q3   | Sept. | Oct. | Nov. |
| - - - - Percentage changes at annual rates <sup>1</sup> - - - - |      |      |      |      |       |      |      |
| Total personal income   | 12.3 | 11.0 | 8.7  | 12.9 | 9.4   | 5.8  | 7.0  |
| Wage and salary disbursements                                   | 10.8 | 9.0  | 6.8  | 8.9  | 8.0   | 4.9  | 8.2  |
| Private   | 11.6 | 9.2  | 7.2  | 9.6  | 6.3   | 1.5  | 8.7  |
| Disposable personal income                                      |      |      |      |      |       |      |      |
| Nominal   | 11.7 | 10.9 | 8.0  | 11.9 | 8.3   | 13.1 | 5.8  |
| Real  | 2.0  | .8   | 1.4  | 2.6  | -2.1  | 5.4  | n.a. |
| - - - - - Changes in billions of dollars <sup>2</sup> - - - - - |      |      |      |      |       |      |      |
| Total personal income   | 18.3 | 18.7 | 14.6 | 26.1 | 19.2  | 11.9 | 14.4 |
| Wage and salary disbursements                                   | 10.3 | 9.8  | 7.0  | 12.1 | 10.0  | 6.2  | 10.4 |
| Private   | 8.9  | 8.1  | 5.9  | 10.3 | 6.4   | 1.5  | 8.9  |
| Manufacturing   | 2.0  | 2.3  | 3.1  | 2.2  | .7    | -2.6 | -1.5 |
| Other income  | 8.9  | 9.6  | 7.8  | 14.7 | 9.5   | 6.5  | 4.5  |
| Transfer payments   | 2.8  | 4.1  | 1.5  | 5.5  | 1.3   | .8   | 1.5  |
| Less: Personal contributions for social insurance               | .9   | .8   | .2   | .7   | .3    | .8   | .5   |
| Memorandum:   |      |      |      |      |       |      |      |
| Personal saving rate <sup>3</sup>                               | 5.2  | 5.6  | 5.4  | 5.2  | 5.6   | 5.9  | n.a. |

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.

3. Monthly saving rate equals the centered three-month moving average of personal saving as a percentage of the centered three-month moving average of disposable personal income.



December 18, 1981

GROSS NATIONAL PRODUCT AND RELATED ITEMS: 1981-Q3  
 (Percentage change from preceding quarter at annual rates  
 except as noted; based on seasonally adjusted data)

|   | Commerce Department Estimates |       |
|---|-------------------------------|-------|
|   | 12/18                         | 11/19 |
| <u>Constant Dollars</u>                     |                               |       |
| Gross National Product                      | 1.4                           | .6    |
| Final Purchases                             | .3                            | -.2   |
| By Domestic Purchasers                      | 1.2                           | 1.5   |
| Personal Consumption Expenditures           | 3.3                           | 4.0   |
| Goods                                       | 3.8                           | 4.3   |
| Services                                    | 2.6                           | 3.7   |
| Residential Investment                      | -36.2                         | -32.6 |
| Business Fixed Investment                   | 6.9                           | 4.3   |
| Inventory Investment                        | 4.1*                          | 3.2*  |
| Net Exports of Goods and Services           | -3.0*                         | -6.4* |
| Exports                                     | -3.5                          | -8.1  |
| Imports                                     | 5.5                           | 10.9  |
| Government Purchases of Goods and Services  | -1.5                          | -1.5  |
| Federal                                     | 3.1                           | 3.6   |
| National Defense                            | 7.9                           | 7.7   |
| State and Local                             | -4.2                          | -4.4  |
| Gross Domestic Product                      | .9                            | .6    |
| Business                                    | 1.2                           | .9    |
| <u>Current Dollars</u>                      |                               |       |
| Gross National Product                      | 11.4                          | 10.2  |
| Final Purchases                             | 10.9                          | 10.1  |
| By Domestic Purchases                       | 9.7                           | 10.0  |
| Inventory Investment                        | 4.2*                          | 1.0*  |
| Net Exports of Goods and Services           | 8.5*                          | 1.2*  |
| Ratio: Personal Saving to Disposable Income | 5.2*                          | 5.1*  |
| <u>Price Measures</u>                       |                               |       |
| GNP Implicit Price Deflator                 | 9.9                           | 9.5   |
| GNP Fixed-Weighted Price Index              | 9.5                           | 9.4   |
| PCE Implicit Price Deflator                 | 9.0                           | 8.9   |
| PCE Fixed-Weighted Price Index              | 8.2                           | 8.2   |
| GDBP Fixed-Weighted Price Index             | 9.9                           | 9.9   |

\* Change from preceding quarter, in billions of dollars, annual rate terms.

# Percent.

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

|   | 1981   |       |        |        |        |       | QIV '80        |
|---|--------|-------|--------|--------|--------|-------|----------------|
|   | Q1     | Q2    | Q3     | Sept.  | Oct.   | Nov.  | to<br>Nov. '81 |
| — Percentage change at annual rates —               |        |       |        |        |        |       |                |
| <b>Money stock measures</b>                         |        |       |        |        |        |       |                |
| 1. M1-A   | -20.9  | -5.4  | -3.4   | -7.9   | 2.3    | 4.0   | -7.2           |
| 2. (Adjusted) <sup>2</sup>                          | (-1.9) | (4.9) | (-1.2) | (-4.9) | (2.5)  | (8.6) | (1.3)          |
| 3. M1-B   | 4.8    | 8.6   | 0.5    | -2.8   | 3.3    | 11.1  | 4.8            |
| 4. (Adjusted) <sup>2</sup>                          | (-0.9) | (5.2) | (-0.4) | (-3.7) | (3.1)  | (8.8) | (2.0)          |
| 5. M2   | 8.2    | 10.6  | 7.2    | 6.5    | 8.1    | 16.5  | 9.6            |
| 6. M3   | 12.4   | 10.6  | 10.3   | 9.2    | 5.7    | 12.3  | 11.2           |
| <b>Selected components</b>                          |        |       |        |        |        |       |                |
| 7. Currency   | 5.5    | 7.9   | 5.0    | -1.0   | 3.0    | 6.9   | 5.6            |
| 8. Demand deposits                                  | -32.9  | -11.8 | -8.0   | -11.7  | 1.5    | 2.0   | -13.0          |
| 9. Other checkable deposits                         | 372.3  | 107.4 | 21.5   | 23.7   | 8.3    | 46.2  | 175.5          |
| 10. M2 minus M1-B (11+12+13+16)                     | 9.4    | 11.3  | 9.4    | 9.5    | 9.6    | 18.3  | 11.2           |
| 11. Overnight RPs and Eurodollars, NSA <sup>3</sup> | 0.0    | 58.9  | 13.9   | -104.5 | -121.0 | 25.5  | 3.4            |
| 12. Money market mutual fund shares, NSA            | 84.5   | 113.7 | 88.2   | 95.7   | 71.8   | 73.6  | 130.2          |
| 13. Commercial banks                                | 6.0    | 4.2   | 6.7    | 6.5    | 10.6   | 15.5  | 7.3            |
| 14. savings deposits                                | -30.5  | -11.9 | -19.6  | -22.4  | -19.0  | 13.1  | -16.9          |
| 15. small time deposits                             | 30.2   | 13.4  | 21.0   | 20.1   | 24.7   | 16.3  | 23.4           |
| 16. Thrift institutions                             | 3.5    | -0.3  | -2.9   | -0.2   | 1.4    | 6.1   | 0.6            |
| 17. savings deposits                                | -29.6  | -12.6 | -23.0  | -22.0  | -17.6  | -3.4  | -18.6          |
| 18. small time deposits                             | 19.0   | 4.7   | 5.1    | 7.6    | 8.6    | 9.2   | 9.7            |
| 19. Large time deposits                             | 39.6   | 10.3  | 25.3   | 13.4   | -4.8   | -16.5 | 19.5           |
| 20. at commercial banks, net <sup>4</sup>           | 40.6   | 10.1  | 27.3   | 11.7   | -11.1  | -23.3 | 18.8           |
| 21. at thrift institutions                          | 34.7   | 11.2  | 15.1   | 24.3   | 26.2   | 18.6  | 22.8           |
| 22. Term RPs, NSA                                   | 18.1   | 12.2  | 43.6   | 93.4   | -17.8  | 28.4  | 26.7           |

—Average monthly change in billions of dollars—

**MEMORANDA:**

|   |      |      |      |      |      |      |      |
|---|------|------|------|------|------|------|------|
| 23. Managed liabilities at commercial banks (24+25)           | 4.3  | 9.0  | 6.6  | 0.5  | -4.8 | -2.9 | 5.3  |
| 24. Large time deposits, gross                                | 5.1  | 7.5  | 7.0  | 2.8  | -1.2 | -3.3 | 5.3  |
| 25. Nondeposit funds  | -0.8 | 1.5  | -0.4 | -2.3 | -3.6 | 0.4  | 0.0  |
| 26. Net due to related foreign institutions, NSA              | -1.6 | 0.7  | 1.1  | -1.2 | -4.5 | -1.3 | -0.5 |
| 27. Other <sup>5</sup>  | 0.7  | 0.9  | -1.6 | -1.1 | 0.9  | 1.7  | 0.5  |
| 28. U.S. government deposits at commercial banks <sup>6</sup> | 1.1  | -0.3 | -0.7 | -0.3 | 3.4  | -0.3 | 0.2  |

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

2. Figures in parentheses have been adjusted to remove the distorting effects since the beginning of 1981 of shifts of funds out of demand deposits and other accounts into NOW accounts. Based on a variety of evidence, it is estimated that 77-1/2 percent of inflows into other checkable deposits—in excess of "trend"—was from demand deposits in January, and 72-1/2 percent in subsequent months.

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. Excludes retail RPs.

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, 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 balances.

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

|   | 1981   |      |       |       |      |       | Nov. 80       |
|---|--|------|-------|-------|------|-------|---------------|
|   | Q1   | Q2   | Q3    | Sept. | Oct. | Nov.  | to<br>Nov. 81 |
|   | ----- Commercial Bank Credit -----                 |      |       |       |      |       |               |
| 1. Total loans and investments at banks <sup>2</sup>                                | 7.8  | 8.2  | 9.1   | 10.6  | 8.5  | 3.2   | 8.6           |
| 2. Investments  | 10.5   | 6.5  | 3.8   | .4    | 9.1  | -2.1  | 6.5           |
| 3. Treasury securities  | 14.8   | 15.7 | -5.7  | -18.1 | -5.1 | -38.9 | 2.5           |
| 4. Other securities   | 8.0  | 1.7  | 9.1   | 11.4  | 16.1 | 16.9  | 8.6           |
| 5. Total loans <sup>2</sup>   | 6.8  | 8.9  | 11.0  | 14.3  | 8.2  | 5.0   | 9.3           |
| 6. Business loans <sup>2</sup>  | 6.5  | 11.9 | 20.5  | 19.0  | 13.0 | 2.6   | 12.9          |
| 7. Security loans   | 27.3   | 53.2 | -54.5 | 47.5  | 19.6 | 102.7 | 21.6          |
| 8. Real estate loans  | 9.5  | 7.2  | 8.5   | 9.2   | 6.5  | 5.6   | 8.5           |
| 9. Consumer loans   | -1.4   | -1.4 | 0.0   | 1.4   | 1.4  | n.a.  | n.a.          |
|   | -- Short- and Intermediate-Term Business Credit -- |      |       |       |      |       |               |
| 10. Total short- and intermediate-term business credit (sum of lines 14, 15 and 16) | 13.7   | 15.8 | 26.2  | 25.5  | 12.7 | n.a.  | n.a.          |
| 11. Business loans net of bankers acceptances                                       | 5.5  | 10.6 | 22.3  | 20.5  | 13.0 | 4.1   | 13.3          |
| 12. Commercial paper issued by nonfinancial firms <sup>3</sup>                      | 29.6   | 42.4 | 61.5  | 87.0  | 7.0  | 50.7  | 44.0          |
| 13. Sum of lines 11 & 12  | 8.2  | 14.1 | 26.7  | 28.7  | 13.1 | 9.7   | 16.6          |
| 14. Line 13 plus loans at foreign branches <sup>4</sup>                             | 11.3   | 14.0 | 28.6  | 30.5  | 15.7 | 14.1  | 18.5          |
| 15. Finance company loans to business <sup>5</sup>                                  | 8.5  | 19.3 | 14.7  | 1.5   | 3.0  | n.a.  | n.a.          |
| 16. Total bankers acceptances outstanding <sup>5</sup>                              | 35.6   | 23.1 | 25.1  | 22.2  | 5.4  | 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.

3. Average of Wednesdays.

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

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

n.a.—not available.

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

|  | 1981     |                    |           |                    | Change from:         |         |           |
|--|----------|--------------------|-----------|--------------------|----------------------|---------|-----------|
|  | Highs    | FOMC               | Intermtg. | Dec.               | 1981<br>Highs        | FOMC    | Intermtg. |
|  |          | Nov. 17            | Low       | 17                 |                      | Nov.17  | Low       |
| <u>Short-term rates</u>                  |          |                    |           |                    |                      |         |           |
| Federal funds <sup>2</sup>               | 20.06    | 13.17              | 12.04     | 12.26              | -7.80                | -.91    | .22       |
| Treasury bills                           |          |                    |           |                    |                      |         |           |
| 3-month                                  | 17.01    | 10.63              | 9.94      | 11.14              | -5.87                | .51     | 1.20      |
| 6-month                                  | 15.93    | 11.08              | 10.34     | 11.67              | -4.26                | .59     | 1.33      |
| 1-year                                   | 15.21    | 11.00              | 10.42     | 11.68              | -3.53                | .68     | 1.26      |
| Commercial paper                         |          |                    |           |                    |                      |         |           |
| 1-month                                  | 18.63    | 12.11              | 11.17     | 12.29              | -6.34                | .18     | 1.12      |
| 3-month                                  | 18.29    | 11.84              | 11.04     | 12.23              | -6.06                | .39     | 1.19      |
| 6-month                                  | 17.44    | 11.63              | 10.96     | 12.25              | -5.19                | .62     | 1.29      |
| Large negotiable CDs <sup>3</sup>        |          |                    |           |                    |                      |         |           |
| 1-month                                  | 18.90    | 12.16              | 11.16     | 12.41              | -6.49                | .25     | 1.25      |
| 3-month                                  | 19.01    | 12.21              | 11.23     | 12.61              | -6.40                | .40     | 1.38      |
| 6-month                                  | 18.50    | 12.41              | 11.64     | 13.04              | -5.46                | .63     | 1.40      |
| Eurodollar deposits <sup>2</sup>         |          |                    |           |                    |                      |         |           |
| 1-month                                  | 19.80    | 12.98              | 11.86     | 13.08              | -6.72                | .10     | 1.22      |
| 3-month                                  | 19.56    | 13.09              | 12.16     | 13.38              | -6.18                | .29     | 1.22      |
| Bank prime rate                          | 21.50    | 16.50-17           | 15.75     | 15.75              | -5.75                | -1.00   | 0         |
| <u>Intermediate- and long-term rates</u> |          |                    |           |                    |                      |         |           |
| U.S. Treasury (constant maturity)        |          |                    |           |                    |                      |         |           |
| 3-year                                   | 16.59    | 12.85              | 12.54     | 13.68              | -2.91                | .83     | 1.14      |
| 10-year                                  | 15.84    | 13.18              | 12.92     | 13.71              | -2.13                | .53     | .79       |
| 30-year                                  | 15.20    | 13.25              | 12.76     | 13.48              | -1.72                | .23     | .72       |
| Municipal (Bond Buyer)                   | 13.21    | 11.43 <sup>4</sup> | n.a.      | 13.00              | -.21                 | 1.57    | --        |
| Corporate Aaa                            |          |                    |           |                    |                      |         |           |
| New issue                                | 17.62    | --                 | 14.62     | --                 | --                   | --      | --        |
| Recently offered                         | 17.72    | 15.10              | 14.52     | 15.28p             | -2.44                | .18     | .76       |
| Primary conventional mortgages           | 18.63    | 18.02 <sup>6</sup> | 16.90     | 16.94 <sup>6</sup> | -1.69                | -1.08   | .04       |
|  | 1981     |                    |           |                    | Percent change from: |         |           |
|  | Highs    | FOMC               | Dec. 17   |                    | 1981<br>Highs        | FOMC.   |           |
|  |          | Nov. 17            |           | Nov. 17            |                      | Nov. 17 |           |
| <u>Stock Prices</u>                      |          |                    |           |                    |                      |         |           |
| Dow-Jones Industrial                     | 1,024.05 | 850.17             | 870.53    |                    | -15.0                | 2.4     |           |
| NYSE Composite                           | 79.14    | 70.39              | 71.37     |                    | -9.8                 | 1.4     |           |
| AMEX Composite                           | 380.36   | 311.25             | 318.87    |                    | -16.2                | 2.4     |           |
| NASDAQ (OTC)                             | 223.47   | 197.68             | 195.70    |                    | -12.4                | -1.0    |           |

1. One-day quotes except as noted.

2. Averages for statement week closest to date shown.

3. Secondary market.

p--Preliminary. n.a.--not applicable

4. One-day quotes for preceding Thursday.

5. Average for preceding week.

6. One-day quotes for preceding Friday.

International Developments

The U.S. current account surplus increased in the third quarter to \$8.4 billion at an annual rate. Much of the change from second to third quarter resulted from increased net investment income receipts (other than from direct investments) that reflected, at least in part, the rise in interest rates this year. In addition, there was an increase in recorded military sales and a reduction in military payments abroad that resulted in lower net military payments in the third quarter.

There was little change in the merchandise trade balance as the value of both exports and imports declined. For the second quarter in a row, net direct investment income receipts were reduced somewhat, largely as a result of slower growth abroad and the effect of the dollar appreciation (through the third quarter) on foreign currency earnings translated into dollars. Also, there was an increased outflow of unilateral transfers in the third quarter, primarily U. S. Government grants.

U.S. Current Account  
(in billions of dollars, seasonally adjusted annual rates)

|                                | 1980<br><u>Year</u> | 1981        |            |            | \$ change<br><u>Q2 - 1Q</u> |
|--------------------------------|---------------------|-------------|------------|------------|-----------------------------|
|                                |                     | <u>Q1</u>   | <u>Q2</u>  | <u>Q3</u>  |                             |
| <u>Current Account Balance</u> | <u>3.7</u>          | <u>13.1</u> | <u>4.6</u> | <u>8.4</u> | <u>+3.8</u>                 |
| Trade Balance                  | -25.3               | -18.7       | -27.6      | -28.2      | -0.5                        |
| Net Investment Income          | 32.7                | 36.2        | 34.9       | 38.0       | +3.1                        |
| Direct                         | 27.5                | 25.0        | 24.0       | 23.7       | -0.3                        |
| Other                          | 5.2                 | 11.2        | 10.9       | 14.3       | +3.4                        |
| Military transactions, net     | -2.5                | -2.3        | -2.8       | -0.3       | +2.5                        |
| Other services, net            | 5.8                 | 3.9         | 6.1        | 6.5        | +0.4                        |
| Unilateral transfers           | -7.1                | -6.1        | -6.1       | -7.6       | -1.5                        |

SOURCE: U.S. Department of Commerce Press Release, December 17, 1981

Summary of U.S. International Transactions  
(in billions of dollars)

December 18, 1981

|   | 1980<br>Year | 1981  |      |      |      |      |       |      |
|---|--------------|-------|------|------|------|------|-------|------|
|   |              | Q-1   | Q-2  | Q-3  | July | Aug. | Sept. | Oct. |
| <b>Banks</b>  |              |       |      |      |      |      |       |      |
| 1. Change in net foreign positions of banking offices in the U.S. (+ = inflow) <u>1/</u>              | -29.8        | -11.8 | -6.4 | 4.2  | 6.8  | -1.9 | -0.6  | -1.3 |
| <b>Securities</b>   |              |       |      |      |      |      |       |      |
| 2. Private securities transactions, net   | 2.3          | 1.9   | 1.7  | .2   | .1   | .2   | -.1   | -.2  |
| a) Foreign net purchases (+) of U.S. corp. bonds  | 1.2          | .7    | .6   | .6   | .3   | .2   | .1    | .1   |
| b) Foreign net purchases (+) of U.S. corp. stocks   | 4.3          | 1.7   | 2.6  | .1   | .1   | --   | --    | -.1  |
| c) U.S. net purchases (-) of foreign securities   | -3.0         | -.5   | -1.4 | -.5  | -.3  | --   | -.2   | -.2  |
| 3. Foreign net purchases (+) of U.S. Treasury obligations <u>2/</u>                                   | 2.7          | 1.4   | .7   | -.8  | -.5  | .3   | -.6   | .3   |
| <b>Official</b>   |              |       |      |      |      |      |       |      |
| 4. Changes in foreign official reserve assets in U.S. (+ = increase)                                  | 14.9         | 5.5   | -3.0 | -5.5 | -0.1 | -4.6 | -.8   | -1.9 |
| a) By area  |              |       |      |      |      |      |       |      |
| G-10 countries and Switzerland  | -2.5         | 1.9   | -7.9 | -5.6 | -1.5 | -2.8 | -1.4  | -3.0 |
| OPEC  | 12.1         | 5.7   | 2.5  | 2.5  | 2.5  | -1.6 | 1.7   | 1.6  |
| All other countries   | 5.3          | -2.1  | 2.4  | -2.4 | -1.1 | -.2  | -1.1  | -.4  |
| b) By type  |              |       |      |      |      |      |       |      |
| U.S. Treasury securities  | 9.7          | 7.2   | -2.1 | -4.6 | -1.7 | -1.7 | -1.4  | .1   |
| Other <u>3/</u>   | 5.2          | -1.6  | -.9  | -.9  | 1.6  | -3.0 | .6    | -2.0 |
| 5. Changes in U.S. official reserve assets (+ = decrease) <u>4/</u>                                   | -7.8         | -3.7  | .8   | -.1  | .7   | -.4  | -.5   | -.5  |
| <b>Other transactions (Quarterly data)</b>  |              |       |      |      |      |      |       |      |
| 6. U.S. direct investment (-) abroad  | -18.5        | -1.6  | -4.9 | -1.4 |      |      |       |      |
| 7. Foreign direct investment (+) in U.S.  | 10.9         | 2.5   | 3.8  | 3.9  |      |      |       |      |
| 8. Other capital flows (+ = inflow) <u>5/</u> <u>6/</u>   | -8.2         | -8.4  | -1.7 | -3.4 |      |      |       |      |
| 9. U.S. current account balance <u>6/</u>   | 3.7          | 3.3   | 1.1  | 2.1  |      |      |       |      |
| 10. Statistical Discrepancy <u>6/</u>   | 29.6         | 10.9  | 7.9  | .8   |      |      |       |      |
| <b>MEMO:</b>  |              |       |      |      |      |      |       |      |
| U.S. merchandise trade balance -- part of line 9.<br>(Balance of payments basis, seasonally adjusted) | -25.3        | -4.7  | -6.9 | -7.0 | -.9  | -4.5 | -1.6  | -4.2 |

1/ Excludes liabilities to foreign official institutions.

2/ Includes U.S. Treasury notes publicly issued to private foreign residents.

3/ Includes deposits in banks, commercial paper, acceptances, & borrowing under repurchase agreements.

4/ Includes newly allocated SDR's of \$1.1 billion in January 1979; \$1.15 billion in January 1980; and \$1.1 billion in January 1981.

5/ Includes U.S. government assets other than official reserves, transactions by nonbanking concerns, and allocations of SDRs, and other banking and official transactions not shown elsewhere.

6/ Includes seasonally adjusted components.

NOTE: Details may not add to total because of rounding.

Corrigenda

Part 1, page I-9.

The annual rates of change for the gross business product fixed-weighted price index excluding food and energy for 1981-Q3 and Q4 should be 11.2 percent and 8.6 percent, respectively.

Part 1, page I-9:

The annual rate percentage changes for federal government national defense purchases should read across the eight quarters as follows: 1.1, 2.6, 7.7, 6.5, 4.4, 4.4, 4.6, 9.3.

The annual rate percentages for state and local government purchases of goods and services should read across the eight quarters as follows: .2, -3.8, -4.4, -2.2, -1.6, -1.8, -1.3, -.8.

Part 2, page III-1:

In the next to last line, change "2 percentage points" to read "1-1/2 percentage points". As of the close of markets on December 17, the rate prevailing in the cash market for 3-month bills was 11-1/4 percent, while December 1982 bill futures were at 12-3/4 percent.

Part 2, page III-5:

In the table at the top of the page, the estimated inflows for Retail RPs for CBs (commercial banks) for October should be -0.5 billion and for Thrifts for November should be 0.6 billion.