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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

Consumer Price Index

The consumer price index rose 0.4 percent in February--down from 0.6 percent in January--as hikes in food prices slowed sharply. The food index advanced 0.7 percent, after a 1.6 percent climb in January. The energy component edged up 0.2 percent in February, as a surge in fuel oil prices was partly offset by a decline for gasoline. Fuel oil prices came down rapidly in spot markets in February, and this reversal will likely affect retail prices in the near term.

Outside the food and energy sectors, consumer prices rose 0.3 percent in February. Services were up 0.4 percent, similar to their average over the past year; this compares with the January increase of 0.7 percent, which was boosted by hikes in telephone and public transportation rates. Commodities excluding food and energy items rose only 0.2 percent for the second month, as declines in apparel and home furnishings reflected more than seasonal markdowns.

RECENT CHANGES IN CONSUMER PRICES
(Percentage change from preceding period;
based on seasonally adjusted data)¹

	Relative Importance		1983	1983			1984	
	Dec. 1983	1982		H1	Q3	Q4	Jan.	Feb.
				--Annual rate--			-Monthly rate-	
All items ²	100.0	3.9	3.8	3.3	4.5	4.0	.6	.4
Food	18.7	3.1	2.6	2.4	1.1	4.3	1.6	.7
Energy	11.9	1.3	- .5	-4.4	3.4	-1.7	-.4	.2
All items less food and energy ³	69.4	6.0	4.9	4.2	5.9	4.9	.5	.3
Commodities ³	26.5	5.0	5.0	4.4	6.8	4.6	.2	.2
Services ³	42.9	7.0	4.8	4.5	5.2	5.3	.7	.4
Memorandum:								
CPI-W ⁴	100.0	3.9	3.3	2.9	4.7	2.6	.5	.1

1. Changes are from final month of preceding period to final month of period indicated.
2. Official index for all urban consumers, based on a rental equivalence measure for owner-occupied housing after December 1982.
3. Data not strictly comparable. Before 1983, they are based on unofficial series that exclude the major components of homeownership; beginning in 1983, data include a rental equivalence measure of homeowners costs.
4. Index for urban wage earners and clerical workers.

SUPPLEMENTAL NOTES

THE DOMESTIC NONFINANCIAL ECONOMY

New Orders for Durable Goods

New orders for nondefense capital goods rose 1.7 percent in February following an increase of equal magnitude in the previous month. As a result, orders in January and February were about 1-1/2 percent, on average, above their fourth quarter level. Orders for machinery were relatively robust, on average, in January and February, about 2-1/2 percent above their fourth quarter level, with the strength mainly in office and store machinery and electrical equipment. However, orders for communication equipment were down about 21 percent in the two-month period, about reversing the large fourth quarter increase.

Shipments for defense capital goods fell 0.9 percent in February, following a 7.4 percent drop in January (a downward revision from the previous January estimate of a 5.6 percent decline). As a result, shipments were down about 2-1/2 percent, on average, in the first two months of the first quarter compared with the fourth quarter of last year, as declines in communication equipment, aircraft and other transportation equipment more than offset small increases in shipments of both electrical and nonelectrical machinery.

BUSINESS CAPITAL SPENDING INDICATORS
 (Percentage change from preceding comparable period;
 based on seasonally adjusted data)

	1983			1984	
	Q3	Q4	Dec.	Jan.	Feb.
<u>Producers' durable equipment</u>					
Nondefense capital goods					
Shipments	2.2	6.3	6.5	-7.4	-.9
Excluding aircraft & parts	4.6	6.2	7.1	-6.0	-2.5
Orders	1.0	8.0	1.1	1.7	1.7
Excluding aircraft & parts	5.2	5.5	2.8	.4	-2.6
Unfilled orders	.8	1.9	-.8	1.1	1.6
Excluding aircraft & parts	2.2	1.7	-.9	.9	.8
Addendum:					
Sales of heavy-weight trucks (thousands of units, annual rate)	181	199	221	190	275
<u>Nonresidential structures</u>					
Nonresidential construction put in place	2.7	3.7	2.7	.7	N.A.
Nonresidential building permits	11.6	-2.1	-2.4	10.4	N.A.

SUPPLEMENTAL NOTES

THE DOMESTIC NONFINANCIAL ECONOMYErratum

On page I-11 of part 1 of the Greenbook the projection for industrial production in 1985-Q4 was incorrectly printed as 1.8 percent; the correct figure should be 3.0 percent. Similarly, on page I-13 the correct annual figure for industrial production in 1985 should be 5.1 percent instead of 5.0 percent.

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

	1983				1984		Growth from Q4 1983 to Feb. 1984
	Q1	Q2	Q3	Q4	Jan.	Feb.	
----- Percentage change at annual rates -----							
1. M1	12.8	11.6	9.5	4.8	10.7	6.6	7.3
2. (M1) ²	(13.2)	(12.7)	(7.9)	(4.6)	(10.3)	(9.5)	(8.2)
3. M2	20.5	10.6	6.9	8.5	5.5	8.6	7.4
4. M3	10.8	9.3	7.4	9.9	5.8	10.0	8.7
Levels in billions of dollars							
<u>Feb. 1984</u>							
Selected components							
5. Currency	11.1	10.2	9.1	9.7	15.4	2.4	150.2
6. Demand deposits	1.7	4.2	4.0	-0.5	3.9	-3.4	243.8
7. Other checkable deposits	42.3	28.5	21.2	9.6	17.7	29.4	133.9
8. M2 minus M1 ³	23.0	10.2	6.1	9.6	3.8	9.2	1689.0
9. Overnight RPs and Eurodollars, NSA ⁴	30.3	48.0	-8.1	23.4	34.2	16.6	58.6
10. General purpose and broker/dealer money market mutual fund shares, NSA	-56.3	-44.4	-13.1	-1.2	-2.6	37.4	142.2
11. Commercial banks	56.5	18.4	12.2	12.4	2.3	3.3	721.2
12. Savings deposits, SA, plus MMDAs, NSA ⁵	290.9	62.8	11.0	5.9	5.3	6.9	368.4
13. Small time deposits	-48.7	-21.2	13.7	19.3	-0.7	-0.7	352.7
14. Thrift institutions	15.6	11.9	7.3	7.3	6.1	6.9	772.5
15. Savings deposits, SA, plus MMDAs, NSA ⁵	175.4	53.8	1.0	-7.0	-0.7	1.1	324.3
16. Small time deposits	-51.5	-17.0	12.3	18.8	11.2	11.1	448.2
17. M3 minus M2 ⁶	-27.1	3.8	9.8	16.4	7.0	16.1	520.8
18. Large time deposits	-39.2	-0.3	11.9	15.5	25.4	24.2	339.4
19. At commercial banks, net ⁷	-48.8	-14.6	-4.6	-0.4	5.9	5.8	227.7
20. At thrift institutions	0.6	51.2	63.5	57.6	69.4	63.3	111.7
21. Institution-only money market mutual fund shares, NSA	-32.6	-41.7	-17.8	16.6	8.9	29.6	41.6
22. Term RPs, NSA	12.2	40.4	15.2	50.0	-62.1	24.9	54.2
23. Term Eurodollars, NSA	15.5	28.9	-1.7	-0.9	-24.6	2.6	91.0

-- Average monthly change in billions of dollars --

MEMORANDA:

24. Managed liabilities at commercial banks (25+26)	-19.0	-0.2	-2.9	6.0	-4.4	5.1	385.8
25. Large time deposits, gross	-16.7	-4.3	-1.2	0.4	-1.5	-1.7	281.9
26. Nondeposit funds	-2.3	4.1	-1.7	5.6	-2.9	6.8	103.9
27. Net due to related foreign institutions, NSA	-4.8	2.4	1.2	2.9	-0.7	1.9	-41.5
28. Other ⁸	2.5	1.7	-2.9	2.7	-2.3	4.9	145.4
29. U.S. government deposits at commercial banks ⁹	0.0	0.3	1.0	-1.2	3.4	4.1	20.6

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

3. Nontransactions M2 is seasonally adjusted as a whole.

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. 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 December, January, and February at rates of 13.2, 22.3, and 18.2 percent respectively. At thrift institutions, savings deposits excluding MMDAs declined during December, January, and February at rates of 6.7, 3.4, and 8.8 percent respectively.

6. The non-M2 component of M3 is seasonally adjusted as a whole.

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

8. 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.

9. 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			Dec.	1984		Levels in bil. of dollars Feb. 1984P
	Q2	Q3	Q4		Jan.	Feb.P	
----- Commercial Bank Credit -----							
	(rounded) ² (rounded) ²						
1. Total loans and securities at banks ³	9.9	8.6	12.4	13.8	11	15	1603.2
2. Securities	23.9	6.3	10.2	6.4	14	-2	439.4
3. Treasury securities	53.5	13.3	25.1	11.6	8	-1	189.1
4. Other securities	5.8	1.3	0.6	1.9	18	-4	250.3
5. Total loans ³	4.8	9.5	13.0	16.4	10	21	1163.7
6. Business loans ³	-1.3	7.6	9.3	13.0	11	15	424.9
7. Security loans	-5.3	25.1	60.8	50.4	9	148	30.9
8. Real estate loans	9.7	11.6	11.5	12.6	18	13	344.3
9. Consumer loans	10.3	15.8	23.1	24.0	25	20	228.0
----- Short- and Intermediate-Term Business Credit -----							
10. Business loans net of bankers acceptances	-0.4	7.4	9.6	14.4	11	14	416.4
11. Commercial paper issued by non- financial firms ⁴	-22.6	-2.7	25.9	41.6	-20.1	30.7	48.1
12. Sum of lines 10 & 11	-3.7	6.2	7.8	16.9	8	17	464.5
13. Line 12 plus loans at foreign branches ⁵	-1.7	6.1	11.4	14.7	10	15	483.4
14. Finance company loans to business ⁶	7.8	17.8	29.0	31.7	36.1	n.a.	96.0
15. Total bankers acceptances outstanding ⁶	-7.3	20.5	18.9	33.4	-43.4	n.a.	n.a.
16. Total short- and intermediate- term business credit (sum of lines 13, 14 and 15)	-1.1	9.3	14.7	19.5	7.3	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. Growth rates for January and February 1984 have been estimated after adjusting for major changes in reporting panels and definitions that caused breaks in series at the beginning of January. Data should be regarded as highly preliminary.

3. 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.

4. Average of Wednesdays.

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

6. 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 Dec. 20	FOMC Jan. 30	FOMC Mar. 22	Spring lows	FOMC Jan. 30
Short-term rates								
Federal funds ²	15.61	8.69	8.48	9.62	9.41	10.04	1.56	.63
Treasury bills								
3-month	14.57	7.90	7.96	9.04	8.89	9.79	1.83	.90
6-month	14.36	8.01	7.97	9.24	8.97	9.93	1.96	.96
1-year	13.55	8.11	7.95	9.27	9.00	9.95	2.00	.95
Commercial paper								
1-month	15.73	8.48	8.17	9.83	9.14	10.17	2.00	1.03
3-month	15.61	8.43	8.13	9.78	9.13	10.16	2.03	1.03
Large negotiable CDs ³								
1-month	15.94	8.59	8.26	9.97	9.23	10.22	1.96	.99
3-month	16.14	8.62	8.26	9.86	9.31	10.39	2.13	1.08
6-month	16.18	8.78	8.29	9.95	9.43	10.72	2.43	1.29
Eurodollar deposits ²								
1-month	16.36	9.44	8.68	10.39	9.53	10.24	1.56	.71
3-month	16.53	9.56	8.71	10.36	9.70	10.48	1.77	.78
Bank prime rate	17.00	11.50	10.50	11.00	11.00	11.50	1.00	.50
Treasury bill futures								
June 1984 contract	13.50	8.25	8.49	9.83	9.27	10.12	1.63	.85
Dec. 1984 contract	9.78	8.98	8.89	10.25	9.85	10.68	1.79	.83
Intermediate- and long-term rates								
U.S. Treasury (constant maturity)								
3-year	15.16	9.87	9.36	11.44	10.88	11.83	2.47	.95
10-year	14.95	10.54	10.12	11.86	11.66	12.49	2.37	.83
30-year	14.80	10.53	10.27	11.94	11.74	12.53	2.26	.79
Municipal revenue (Bond Buyer index)	14.32	10.81 ⁴	9.21	10.56 ⁴	9.95 ⁴	10.39	1.18	.44
Corporate--A utility Recently offered	17.47	12.90 ^e	11.64	13.45 ^e	12.90 ^e	13.75 ^e	2.11	.85
Home mortgage rates								
S&L fixed-rate	17.66	13.63 ⁵	12.55	13.42 ⁵	13.29 ⁵	13.37 ⁵	.82	.08
FNMA ARM, 1-yr.	17.41	11.13 ⁵	10.54	11.60 ⁵	11.40 ⁵	11.80 ⁵	1.26	.40
	1982	1983		1984		Percent change from:		
	Lows	Highs	FOMC Dec. 20	FOMC Jan. 30	FOMC Mar. 22	1983 highs	FOMC Jan. 30	
Stock prices								
Dow-Jones Industrial	776.92	1287.20	1241.97	1221.52	1155.88	-10.3	-5.4	
NYSE Composite	58.80	99.63	93.64	94.12	90.30	-9.4	-4.1	
AMEX Composite	118.65	249.06	217.40	217.53	209.98	-15.7	-3.5	
NASDAQ (OTC)	159.14	328.91	274.51	269.23	250.77	-23.8	-6.9	

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.