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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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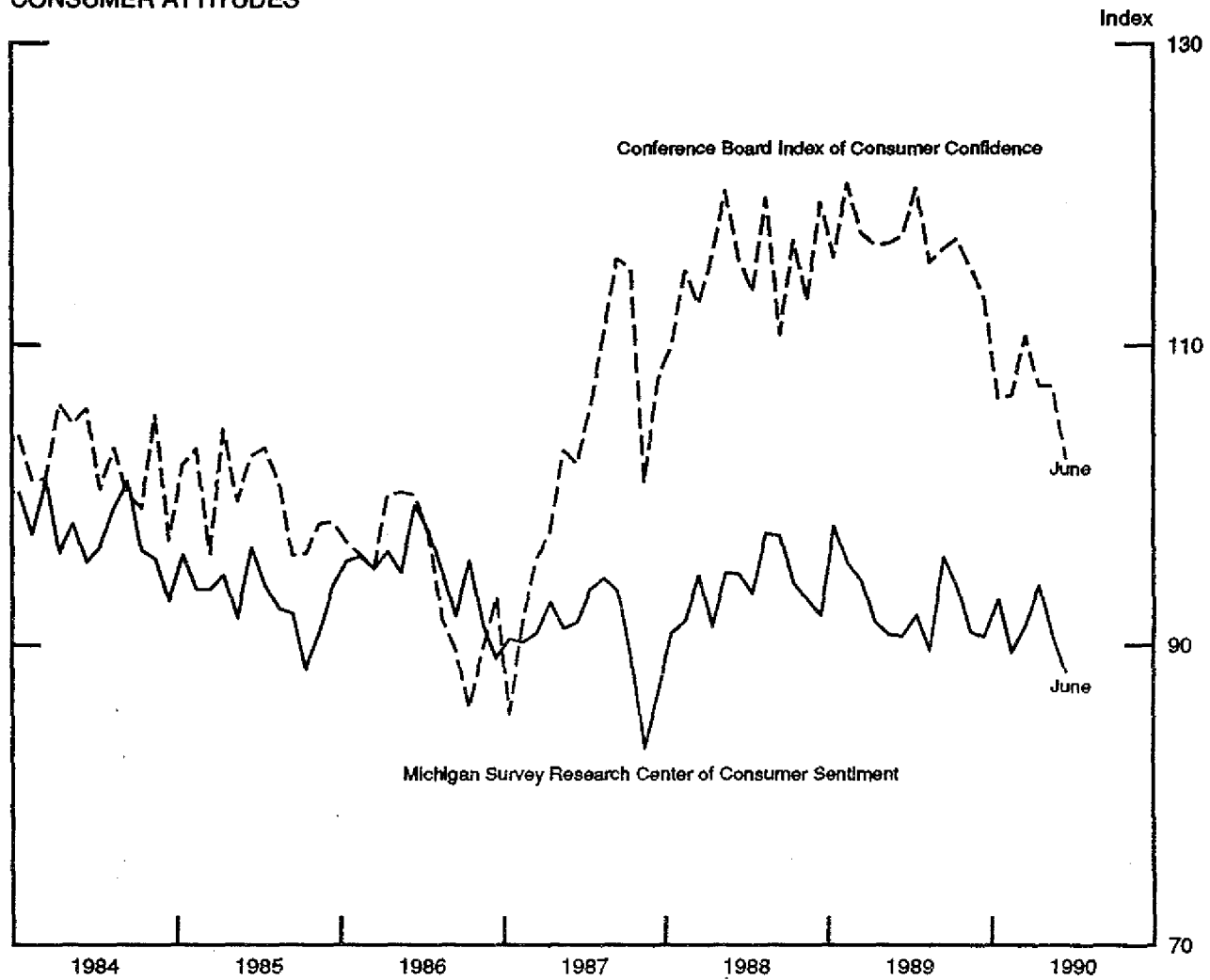
DOMESTIC NONFINANCIAL ECONOMY

Consumer Attitudes

Consumer sentiment, as measured by the Survey Research Center at the University of Michigan, fell 2-1/4 index points in June to 88.3, the lowest level since late 1987. The near-term outlook for general business conditions deteriorated substantially in June according to survey participants, and the index of responses about the longer-term business climate remained at a relatively low level. In contrast, consumers have not markedly revised their assessments of their own financial situations or their appraisals of buying conditions in recent months. The average 12-month forecast of inflation moved back up to 4.9 percent this month after two months of readings in the neighborhood of 4-1/2 percent, while expectations for inflation over the next 5 to 10 years moved up another 0.2 percentage point, to 5.5 percent.

The Conference Board's Consumer Confidence Index fell nearly 5 index points in June to 102.5--the lowest reading on this series since 1987. Since late last year, responses to all five of the questions making up the Conference Board's index have weakened. In June, fewer survey respondents reported that "jobs are plentiful," and fewer of them characterized general business conditions as "good." Moreover, prospects for the next six months are viewed somewhat less favorably in both areas. Finally, fewer respondents are expecting increases in income over the next six months.

CONSUMER ATTITUDES*



*The base of the Michigan index is February 1966; the base of the Conference Board Index is the annual average for 1985. Both indexes are an average of five equally-weighted questions that relate to current and expected economic conditions. However, the questions in the two surveys are different and the timing of the surveys in the field varies.

New Home Sales

New home sales in May remained close to their lowest level since 1982, indicative of weak demand in the single-family market. At 532,000 units (SAAR), sales in May were about unchanged from the downward-revised April figure of 530,000 units (originally reported as 546,000). The median price of a new home sold in May was up 8.0 percent from a year earlier, while the mean price rose 6.1 percent higher. The inventory of unsold homes edged down to 358,000 units in May; the inventory estimate has remained in a narrow band for the past several years.

THE MARKET FOR NEW HOUSES

	1989	1989	1990	1990		
	1989	Q4	Q1 ^r	Mar. ^r	Apr. ^r	May ^p
Sales Volume						
Thousands of units, SAAR	650	652	593	559	530	532
Sales Price						
Average (\$1,000, NSA)	148.8	151.2	150.3	144.8	154.2	154.0
(Percent change from year earlier)	7.6	7.7	4.2	-2.8	6.6	6.1
Median (\$1,000, NSA)	120.0	124.8	124.6	119.9	133.4	128.5
(Percent change from year earlier)	6.7	9.6	5.6	-2.5	14.3	8.0
Inventory						
Units for sale (Thousands of units, end of period)	366	362	363	363	362	358
Months' supply (At current sales rate)	7.0	6.8	7.5	7.7	8.4	8.2
Regional Sales Volume						
Thousands of units, SAAR						
Northeast	91	92	83	86	94	84
Midwest	103	102	94	94	89	96
South	257	260	237	221	201	199
West	201	198	178	157	145	152

Note: Months' supply data derived by Census Bureau by seasonal adjustment of the ratio of homes for sale to homes sold. It may, therefore, not agree with the seasonally adjusted components shown on the table.
r--revised p--preliminary.

MONETARY AGGREGATES
(based on seasonally adjusted data unless otherwise noted)

	1989 ¹	1990 Q1	1990 Q2pe	1990 Apr	1990 May	1990 Jun pe	Growth Q4 89- Jun 90pe
-----Percent change at annual rates-----							
1. M1	0.6	4.8	3½	3.9	-2.8	5	4
2. M2	4.5	6.0	2½	1.9	-2.9	2	3½
3. M3	3.3	2.6	½	1.0	-2.6	0	1

	-----Percent change at annual rates-----						Levels bil. \$ May 90
Selected components							
4. M1-A	0.4	4.2	1½	0.7	-4.0	3	513.9
5. Currency	4.8	10.3	9½	8.9	7.8	9	231.6
6. Demand deposits	-2.8	-0.9	-5	-6.4	-13.8	-2	274.6
7. Other checkable deposits	1.0	5.9	7	9.5	-1.2	9	291.5
8. M2 minus M1 ²	5.9	6.4	2	1.4	-3.0	0	2458.1
9. Overnight RPs and Eurodollars, NSA	-9.2	28.0	-16½	-43.1	30.8	-71	79.8
10. General purpose and broker/dealer money market mutual fund shares	29.7	18.8	-1	-0.7	-20.0	6	319.4
11. Commercial banks	7.5	8.5	10½	8.6	13.7	15	1110.0
12. Savings deposits plus MMDAs ³	-1.7	9.3	8½	7.8	6.0	10	558.9
13. Small time deposits	19.0	7.8	12½	9.4	21.5	20	551.1
14. Thrift institutions	-0.2	-1.7	-5½	-3.0	-13.0	-15	950.8
15. Savings deposits plus MMDAs ³	-9.3	2.8	1½	5.4	-7.7	-8	356.3
16. Small time deposits	5.8	-4.3	-9½	-7.7	-16.5	-20	594.4
17. M3 minus M2 ⁴	-1.5	-10.6	-7½	-3.0	-1.2	-8	792.5
18. Large time deposits	4.2	-8.3	-10½	-13.2	-6.7	-5	534.6
19. At commercial banks, net ⁵	9.9	-1.6	-2½	-5.1	5.5	4	396.4
20. At thrift institutions	-7.8	-24.7	-30½	-34.2	-40.3	-31	138.2
21. Institution-only money market mutual fund shares	17.1	10.2	11½	15.9	5.6	0	107.3
22. Term RPs, NSA	-16.0	-39.8	-1½	-5.2	5.2	-1	93.1
23. Term Eurodollars, NSA	-22.0	-50.4	-14½	-9.0	52.6	-30	69.0

-----Average monthly change in billions of dollars-----

MEMORANDA:⁶

24. Managed liabilities at commercial banks (25+26)	5.9	2.1	-2½	-4.9	-0.4	-2	720.8
25. Large time deposits, gross	2.6	-2.3	-1½	-2.2	-0.5	-1	454.6
26. Nondeposit funds	3.3	4.4	-1	-2.7	0.1	-1	266.2
27. Net due to related foreign institutions	0.2	3.3	-1½	-0.7	7.9	-11	24.4
28. Other ⁷	3.1	1.2	½	-2.1	-7.6	10	241.9
29. U.S. government deposits at commercial banks ⁸	-0.3	-0.6	½	2.0	-2.6	2	18.6

1. Amounts shown are from fourth quarter to fourth quarter.
 2. Nontransactions M2 is seasonally adjusted as a whole.
 3. Commercial bank savings deposits excluding MMDAs grew during May and June at rates of -1.9 percent and 6 percent, respectively. At thrift institutions, savings deposits excluding MMDAs grew during May and June at rates of -2.2 percent and -4 percent, respectively.
 4. The non-M2 component of M3 is seasonally adjusted as a whole.
 5. Net of large denomination time deposits held by money market mutual funds and thrift institutions.
 6. Dollar amounts shown under memoranda are calculated on an end-month-of-quarter basis.
 7. Consists of borrowing 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 borrowing from the Federal Reserve and unaffiliated foreign banks, loan RPs and other minor items). Data are partially estimated.
 8. Consists of Treasury demand deposits and note balances at commercial banks.
- pe - preliminary estimate

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

	1988:Q4	1989	1990			Levels bil.\$ May p	
	to 1989:Q4		Q4	Q1	Mar.		Apr.
----- Commercial Bank Credit -----							
1. Total loans and securities at banks	7.2	6.9	6.8	9.2	5.1	4.1	2644.1
2. Securities	3.9	9.6	16.8	13.8	8.8	7.2	607.1
3. U.S. government securities	9.7	16.9	24.6	19.5	10.9	14.8	427.9
4. Other securities	-6.9	-5.5	-.2	.7	4.0	-10.6	179.2
5. Total loans	8.1	6.1	3.9	7.8	4.1	3.2	2037.0
6. Business loans	6.8	3.0	.6	9.6	10.1	-.6	647.9
7. Real estate loans	12.9	11.2	10.1	9.7	7.7	12.5	787.5
8. Consumer loans	6.3	6.4	3.7	1.0	-4.4	4.4	379.2
9. Security loans	3.8	-1.0	-12.2	-81.8	-40.7	-42.2	35.7
10. Other loans	.6	-1.9	-6.4	28.4	-11.4	-9.6	186.7
----- Short- and Intermediate-Term Business Credit -----							
11. Business loans net of bankers acceptances	6.8	2.7	.1	9.1	10.0	-.8	639.6
12. Loans at foreign branches ²	-5.0	9.5	3.7	-21.7	11.1	16.4	22.2
13. Sum of lines 11 & 12	6.4	2.9	.3	8.3	9.7	.0	661.8
14. Commercial paper issued by nonfinancial firms	31.2	21.0	24.5	43.7	55.7	-31.4	145.0
15. Sum of lines 13 & 14	9.8	5.9	4.4	14.4	17.9	-5.8	806.8
16. Bankers acceptances: U.S. trade related ^{3,4}	6.1	-9.1	-19.8	-32.1	-36.7	-15.1	31.3
17. Line 15 plus bankers acceptances: U.S. trade related	9.7	5.3	3.4	12.5	15.7	-6.1	838.1
18. Finance company loans to business ^{3,6}	10.6	6.2	4.7	5.1	7.8	n.a.	262.0 ⁵
19. Total short- and intermediate- term business credit (sum of lines 17 & 18)	9.9	5.4	3.7	10.6	13.8	n.a.	1104.4 ⁵

1. Average of Wednesdays.

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

3. Based on average of data for current and preceding ends of month.

4. Consists of acceptances that finance U.S. imports, U.S. exports, and domestic shipment and storage of goods.

5. April data.

p--preliminary.

n.a.--not available

SELECTED FINANCIAL MARKET QUOTATIONS
(percent)

	1987	1989		1990		Change from:		
	2 Oct 16	March highs	Dec lows	FOMC May 15	June 28	Mar 89 highs	Dec 89 lows	FOMC May 15
Short-term rates								
Federal funds ³	7.59	9.85	8.45	8.23	8.28	-1.57	-0.17	0.05
Treasury bills ⁴								
3-month	6.93	9.09	7.53	7.65	7.74	-1.35	0.21	0.09
6-month	7.58	9.11	7.29	7.67	7.62	-1.49	0.33	-0.05
1-year	7.74	9.05	7.11	7.65	7.52	-1.53	0.41	-0.13
Commercial paper								
1-month	7.94	10.05	8.51	8.22	8.26	-1.79	-0.25	0.04
3-month	8.65	10.15	8.22	8.20	8.18	-1.97	-0.04	-0.02
Large negotiable CDs ⁴								
1-month	7.92	10.07	8.52	8.23	8.26	-1.81	-0.26	0.03
3-month	8.90	10.32	8.22	8.28	8.27	-2.05	0.05	-0.01
6-month	9.12	10.08	8.01	8.39	8.29	-1.79	0.28	-0.10
Eurodollar deposits ⁵								
1-month	8.00	10.19	8.38	8.19	8.19	-2.00	-0.19	0.00
3-month	9.06	10.50	8.25	8.25	8.25	-2.25	0.00	0.00
Bank prime rate	9.25	11.50	10.50	10.00	10.00	-1.50	-0.50	0.00
Intermediate- and long-term rates								
U.S. Treasury (constant maturity)								
3-year	9.52	9.88	7.69	8.58	8.37	-1.51	0.68	-0.21
10-year	10.23	9.53	7.77	8.65	8.47	-1.06	0.70	-0.18
30-year	10.24	9.31	7.83	8.62	8.45	-0.86	0.62	-0.17
Municipal revenue ⁶ (Bond Buyer)	9.59	7.95	7.28	7.66	7.48	-0.47	0.20	-0.18
Corporate--A utility recently offered	11.50	10.47	9.29	10.04	9.94	-0.53	0.65	-0.10
Home mortgage rates ⁷								
S&L fixed-rate	11.58	11.22	9.69	10.54	10.16	-1.06	0.47	-0.38
S&L ARM, 1-yr.	8.45	9.31	8.34	8.63	8.50	-0.81	0.16	-0.13
			1989	1990		Percent change from:		
	Record highs	Date	Lows Jan 3	FOMC May 15	June 28	Record highs	1989 lows	FOMC May 15
Stock prices								
Dow-Jones Industrial	2935.89	6/15/90	2144.64	2822.45	2878.71	-1.95	34.23	1.99
NYSE Composite	200.21	6/4/90	154.98	193.31	195.18	-2.51	25.94	0.97
AMEX Composite	397.03	10/10/89	305.24	353.56	358.57	-9.69	17.47	1.42
NASDAQ (OTC)	485.73	10/9/89	378.56	442.50	460.38	-5.22	21.61	4.04
Wilshire	3523.47	10/9/89	2718.59	3373.68	3417.43	-3.01	25.71	1.30

1/ One-day quotes except as noted.

2/ Last business day prior to stock market decline on Monday Oct. 19, 1987.

3/ Average for two-week reserve maintenance period closest to date shown. Last observation is average for the maintenance period ending June 27, 1990.

4/ Secondary market.

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

6/ Based on one-day Thursday quotes and futures market index changes.

7/ Quotes for week ending Friday closest to date shown.

INTERNATIONAL DEVELOPMENTS

Import and Export Prices

According to the Bureau of Labor Statistics, prices for imports fell for the third month in a row in May. Prices for nonpetroleum imports declined for the third month in a row while prices for petroleum fell for the fourth month in a row. The May decreases in prices for nonpetroleum imports was led by a continuing fall in the index for motor vehicles. As was the case in April, the decline in prices for imported motor vehicles was associated with the appreciation of the yen during the previous two months. In contrast, prices for imports of consumer goods continued to rise.

The small increase in export prices was primarily related to a continuing rise in prices for agricultural exports. This increase was led by higher prices for soybeans and corn. Prices for nonagricultural exports remained unchanged in May.

IMPORT AND EXPORT PRICE MEASURES
(percentage change from previous period, annual rate)

	Year		Quarters			Months	
	1990-Q1	1989-Q1	1989		1990		
			Q3	Q4	Q1	Apr**	May
	(annual rates)				(monthly rates)		
- - - - - BLS Prices - - - - -							
<u>Imports, Total</u>	1.3	-4.6	5.3	4.9	-0.8	-0.6	
Foods, Feeds, Bev.	-1.7	-15.5	7.4	11.2	-0.4	0.1	
Industrial Supplies	1.0	-14.1	8.7	1.6	-2.5	-1.0	
Ind Supp Ex Oil*	-4.3	-7.4	-2.4	-2.4	0.0	-0.2	
Capital Goods	1.8	-1.2	2.8	10.4	-0.4	0.0	
Automotive Products	0.6	0.0	5.7	-0.4	-0.8	-1.2	
Consumer Goods	3.4	1.2	4.1	7.4	0.3	0.4	
Memo:							
Oil	13.4	-24.4	36.0	8.7	-7.3	-3.1	
Non-oil	0.2	-2.8	2.8	4.1	-0.2	-0.2	
<u>Exports, Total</u>	-0.4	-2.8	0.0	1.6	0.4	0.3	
Foods, Feeds, Bev.	-11.2	-21.6	-7.4	-3.2	1.7	2.7	
Industrial Supplies	-1.6	-4.6	-2.8	0.4	0.0	-0.3	
Capital Goods	3.0	3.0	2.4	4.1	0.2	0.0	
Automotive Products	2.8	3.0	4.9	1.6	0.2	0.1	
Consumer Goods	3.2	2.8	2.0	6.6	0.0	0.6	
Memo:							
Agricultural	-7.0	-15.8	-5.1	-1.2	1.6	2.2	
Nonagricultural	0.8	-0.4	0.4	2.4	0.0	0.0	
- - - - - Prices in the GNP Accounts - - - - -							
<u>Fixed-Weight</u>							
Imports, Total	3.0	-8.9	4.0	10.1	--	--	
Oil	25.9	-31.0	23.5	47.9	--	--	
Non-oil	-0.1	-4.9	1.3	4.9	--	--	
Exports, Total	0.1	-4.1	-1.1	3.1	--	--	
Ag.	-5.9	-9.4	-12.9	2.7	--	--	
Nonag.	1.4	-2.9	1.4	3.1	--	--	
<u>Deflators</u>							
Imports, Total	-1.0	-11.1	2.2	5.5	--	--	
Oil	25.9	-30.7	22.9	47.3	--	--	
Non-oil	-3.3	-7.1	-2.7	3.4	--	--	
Exports, Total	-2.2	-5.5	-2.4	-0.2	--	--	
Ag.	-5.9	-9.4	-12.9	2.7	--	--	
Nonag.	-1.5	-4.5	-1.3	-0.7	--	--	

*Not for publication.

** Revised