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[1] In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).

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CONFIDENTIAL (FR)

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

September 25, 1964.

The Domestic Economy

In the first 20 days of September dealer deliveries of new autos declined a little more than seasonally from the advanced August rate. With production of 1965 models rising rapidly, stocks of new cars increased from the seasonal low reached at the end of August; the September 20 total of 960 thousand units was a fourth higher than a year ago.

List prices for the 1965 autos are essentially unchanged from those for the 1964 models, according to the companies. Higher quotations for various models reflect mainly the cost of some items, such as heaters and seat belts, included as standard rather than optional equipment.

The net expansion in consumer instalment debt apparently slowed somewhat in August. This is indicated by the data available for the "early reporting" commercial bank group.

Seasonally Adjusted Change in Instalment Credit

	July	August[1/]
Total, all groups	483	--
Commercial banks, total	208	186
Auto paper	128	120
Other consumer goods	19	21
Repair and modernization	12	10
Personal	49	35

[1/] Preliminary estimates.

The Domestic Financial Situation

The average yield on new offerings of corporate bonds declined 6 basis points to 4.46 per cent in the week just ended, erasing two-fifths of the yield advance experienced in the preceding four weeks. The week's

principal offering of municipal issues--a $130 million package of Public Housing Authority bonds--was well received. But this appears to have provided little or no stimulus to demand for other recently offered municipal issues, and yields on seasonal issues remained unchanged.

August data on net savings flows to mutual savings banks and savings and loan associations suggest that these institutions are continuing to benefit from the tax cut. The net gain in regular deposits at mutual savings banks was about double that of August last year, and growth in savings capital at savings and loan associations was nearly one-fifth larger. If rough allowance is made for seasonal influences, inflows to savings and loan associations during the June-August period were almost as large as the record gains during the early months of 1963.

Credit expansion at weekly reporting banks outside of New York and Chicago was unusually large in the week of September 16, reflecting substantial increases in both loans and investments. As in New York and Chicago, funds advanced directly to businesses for tax and dividend purposes were much larger than a year earlier. Funds made available indirectly through finance company and security loans and acquisitions of Treasury bills also were larger.

Over the three weeks ending September 16, the increase in total credit at all city banks exceeded the large rise in the comparable weeks last year although loan expansion was not quite as large. Holdings of United States Government and other securities went up more than last year--and also more than in most other recent years.

In the week ending September 23, credit at New York and Chicago weekly reporting banks fell somewhat more than in the corresponding week of 1963 and 1962. Business loans, which usually rise in this period, declined at New York City banks; a large part of the drop reflected a reduction in holdings of bankers' acceptances.

The seasonally adjusted money supply for the first half of September was revised upward slightly from $157.7 billion to $157.8 billion, resulting in a $300 million increase from the second half of August. However, on the basis of preliminary data, a sharp advance of about $900 million more is anticipated in the second half of September. This would raise the annual rate of growth over the first 9 months to 4.4 per cent.

Reflecting the large run-off of CD's around the tax date, an increase in time deposits of only $100 million is estimated for the second half of September following a $700 million rise in the first half. Growth for the month is estimated at $1 billion, about in line with the average monthly rise earlier this year.