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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

March 1, 1968

SUPPLEMENTAL NOTES

The Domestic Economy

Preliminary BLS estimates indicate that the wholesale price index for industrial commodities increased 0.4 per cent from January to February with lumber, fuels, machinery, and nonmetallic metals showing the main increases. The final January rise from December was also 0.4 per cent, as noted in the Greenbook.

The total wholesale price index was estimated to have risen 0.6 per cent in February as compared with 0.4 per cent in January. The faster rise in the total reflects a sharp rise in prices of farm products (2.0 per cent) and a further increase in prices of processed foods (0.6 per cent). Price increases were indicated for livestock, meats, eggs, fresh fruits, and fats and oils.

The consumer price index increased again by 0.3 per cent in January, to 118.6 per cent of the 1957-59 average--3.4 per cent above the level of a year earlier. Advances were widespread with increases prominent in prices for food, gasoline, medical care, and postage. Grocery prices were up 0.8 per cent--the largest monthly increase since last July as a result mainly of increases in fresh vegetables. Restaurant meals were 0.4 per cent higher, and for the second consecutive month increased at a slower rate than grocery prices.

Average prices for all commodities other than food increased 0.1 per cent in January. Apparel was lower, but the decline was less than seasonal. Gasoline and motor oil prices, seasonally adjusted, rose 1.1 per cent as "price wars" subsided in some areas. New cars

were 0.3 per cent below the December average, but substantially less than expected seasonally. Used cars were up 0.8 per cent, substantially more than expected seasonally.

Prices of consumer services, less rent, increased 0.6 per cent and accounted for about one-half of the increase in the total price index. Medical care services rose 0.7 per cent further as professional fees and hospital service charges increased sharply. Transportation services were up substantially, 0.8 per cent, reflecting higher prices for auto repairs, auto insurance, and registrations and drivers permits. The recent increases in postal rates on first and third class mail accounted for a substantial part of the rise in total service costs.

Corrections:

Page II - 7 Table. Next to last column, first line, the increase in GNP from QIV 1967 to QI 1968 should be \$18.9 billion.

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KEY INTEREST RATES

	1967		1968	
	High	Nov. 17 ^{1/}	Feb. 5	Mar. 1
<u>Short-Term Rates</u>				
3-months				
Treasury bills (bid)	5.07 (12/5)	4.67	4.91	5.01*
Bankers' acceptances	5.63 (12/29)	4.88	5.13	5.25
Euro-dollars	6.88 (11/28)	5.75	5.44	5.69
Federal agencies	5.30 (12/29)	5.05	5.05	5.10
Finance paper	5.88 (1/6)	5.13	5.25	5.13
CD's (prime NYC)				
Highest quoted new issue	5.50 (12/29)	5.25	5.25	5.38
Secondary market	5.70 (12/29)	5.30	5.35	5.35
6-months				
Treasury bills (bid)	5.60 (12/1)	5.13	5.11	5.22*
Bankers' acceptances	5.88 (12/29)	5.00	5.25	5.38
Commercial paper	6.00 (1/16)	5.13	5.50	5.50
Federal agencies	5.55 (12/29)	5.40	5.25	5.40
CD's (prime NYC)				
Highest quoted new issue	5.50 (12/29)	5.38	5.50	5.50
Secondary market	6.00 (12/29)	5.60	5.55	5.62
1-year				
Treasury bills (bid)	5.71 (12/29)	5.27	5.26	5.33*
Federal agencies	5.95 (12/29)	5.75	5.50	5.50
Prime municipals	4.00 (12/29)	3.40	3.25	3.25
<u>Intermediate and Long-Term</u>				
Treasury coupon issues				
5-years	5.91 (11/13)	5.72	5.64	5.56
20-years	5.81 (11/20)	5.70	5.39	5.39
Corporate				
Seasoned Aaa	6.25 (12/28)	6.13	6.13	6.08
Baa	6.98 (12/28)	6.76	6.80	6.79
New Issue Aaa				
With call protection	6.55 (12/7)	6.53	6.16	6.40
Without call protection	6.70 (12/1)	6.68	6.29	6.48
Municipal				
Bond Buyer Index	4.45 (12/7)	4.33	4.16	4.44
Moody's Aaa	4.15 (12/28)	3.98	3.90	4.16
FHA home mortgages				
30-years	6.81 (Dec.)	6.77 (Nov.)	6.81 (Jan.)	--

^{1/} Pre-devaluation yield levels.

* - 2:00 p.m. quotations.