

Prefatory Note

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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).

² A two-step process was used. An advanced optical character recognition computer program (OCR) first created electronic text from the document image. Where the OCR results were inconclusive, staff checked and corrected the text as necessary. Please note that the numbers and text in charts and tables were not reliably recognized by the OCR process and were not checked or corrected by staff.

SUPPLEMENTAL NOTES

The Domestic Economy

Sales of new domestic automobiles in the first 20 days indicate that the August rate will be around 8.8 million vehicles, about the same as the June and July rates and well above the 8.2 million rate in April and May. Deliveries this month are expected to be about 6 per cent above a year ago.

Dealer inventories of August 20 were down 11 per cent from the end of July, a less than seasonal decline, and were a third higher than a year ago.

The consumer price index rose .1 per cent in July to 110.2 per cent of the 1957-59 average; increases of 3.3 per cent for meats and 10 per cent for potatoes were largely responsible for the advance.

Had excise taxes not been reduced, the index would have risen an additional .2 per cent according to the BLS. The tax reductions especially affected household appliances which fell by 1.4 per cent.

Medical care costs advanced sharply by .4 per cent, while prices of new cars and apparel declined slightly.

The Domestic Financial Situation

Yields on new offerings of corporate bonds have continued to move upward this week; the new issue series (Aaa basis) rose 4 basis points to 4.71 per cent. At this level, underwriters have been able to distribute these issues quickly. In free market trading at week's end, the one competitively-bid issue was selling at a 3 basis point premium from offering price.

A \$30 million debenture issue of General Telephone Co. of California, originally scheduled for this week, was postponed indefinitely. Company officials ascribed the action to "prevailing market conditions and the number of current offerings of utilities debt securities."

In the municipal market, yields on seasoned, high-grade issues advanced 2 to 3 basis points.

Common stock prices--as measured by Standard & Poor's Index of 500 stocks--have risen 0.5 per cent this week in heavy trading. At the close on August 26, the index, at 87.14, was only 3-1/2 per cent below its May 13 high. Trading volume this week has averaged 5.4 million shares daily with activity on the last two days exceeding 6.0 million.

In July, savings capital at savings and loan associations declined by \$435 million. As the accompanying table shows, July is usually a month of heavy withdrawals, but new savings have usually been sufficient to offset them.

The substantial net outflow can be attributed to the slowdown in growth of new savings this year. Between June and July, new savings increased about 2 per cent, compared to increases of 9.6, 20.5, and 12.5 per cent in 1964, 1963, and 1962 respectively. Withdrawals actually increased less this year between June and July than in the other years of the expansion period--90 per cent vs. 105, 147, 113, and 105 per cent in 1964 through 1961 respectively.

SAVINGS FLOWS AT ALL SAVINGS & LOAN ASSOCIATIONS
(Millions of dollars)

	June			July		
	Net inflow	New savings	Withdrawals	Net inflow	New savings	Withdrawals
1965	1602	3945	2343	-435	4011	4446
1964	1765	3762	1999	16	4125	4087
1963	1631	3243	1601	-11	3909	3995
1962	1395	3027	1598	25	3405	3397
1961	1356	2758	1395	124	2974	2866

International developments

More complete, though still preliminary, data now indicate an unadjusted U.S. payments deficit on regular transactions in July of \$265 million. This figure is \$65 million higher than was indicated earlier. After rough allowance for seasonal factors, the payments position was probably one of modest deficit, following the moderate surplus of the second quarter.

U.S. imports in July dropped by 9 per cent to a seasonally adjusted annual rate of \$20 billion. However, about one-third of the decline resulted from a change in statistical compiling procedures, and a large part of the remaining fall is thought to have resulted from the holding up of import arrivals by the seamen's strike on American ships.

A substantial further decline in bank-reported claims on foreigners occurred in July. According to preliminary data, the decrease for long- and short-term claims together totaled \$182 million.