

Prefatory Note

The attached document represents the most complete and accurate version available based on original copies culled from the files of the FOMC Secretariat at the Board of Governors of the Federal Reserve System. This electronic document was created through a comprehensive digitization process which included identifying the best-preserved paper copies, scanning those copies,¹ and then making the scanned versions text-searchable.² Though a stringent quality assurance process was employed, some imperfections may remain.

Please note that some material may have been redacted from this document if that material was received on a confidential basis. Redacted material is indicated by occasional gaps in the text or by gray boxes around non-text content. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

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.

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

November 10, 1967

SUPPLEMENTAL NOTES

The Domestic Economy

Retail sales declined 2 per cent in October, according to the advance Census report and were at the lowest level since May. The decline was concentrated in the automotive group, for which sales were down 10 per cent. Sales at other durable goods stores were off slightly and at nondurable goods stores were unchanged.

Business now plans to increase current dollar outlays for new plant and equipment by 5 per cent in 1968, according to the McGraw-Hill fall survey released today. Business also has tentative plans for outlays in 1969 which are nearly as large as those now indicated for 1968. Manufacturers plan an increase in their plant and equipment spending of 3 per cent next year. Manufacturers also report expectations that their sales will rise 8 per cent in physical volume in 1968.

All businesses, as well as the manufacturing segment alone, indicate expectations that the prices they pay for new plant and equipment in 1968 will be 5 per cent higher than this year; for 1967, these prices in turn are estimated to be 4 per cent higher than in 1966. With both expenditure plans and prices of new fixed capital investment reported as likely to be up 5 per cent next year, no change apparently is expected in the physical volume of plant and equipment purchases. It should be noted that these fall surveys sometimes have been inaccurate indicators of subsequent actual developments. Many companies have not finished work on their capital budgets and completed budgets may be modified for a number of reasons, particularly changes in the economic situation.

International Developments

On November 9 the Bank of England again raised Bank rate by 1/2 per cent, bringing it to 6-1/2 per cent. The increase was in response to exchange market pressures on sterling. The forward discount on sterling had widened further by about 1/4 per cent per annum since Bank rate was increased on October 19.