

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

October 4, 1968

SUPPLEMENTAL NOTES

The Domestic Economy

New construction put in place rose further in September to match the peak reached last May, based on revised data now available from the Census Bureau. Residential construction outlays (which were raised an average of 1.3 per cent over the preceding 8 months to allow for improved estimates for the "additions and alterations" subgroup) advanced to virtually the record rate of last April. Outlays for non-residential construction were revised upward for July and August, but they changed little in September, at a level 4 per cent under last February's high. Public construction outlays, already at a record in August, also changed little in September.

NEW CONSTRUCTION PUT IN PLACE
(Confidential FRB)

	September 1968 (\$ billions) ^{1/}	Per cent change from	
		August 1	September 1967
Total	84.8	+1	+ 8
Private	56.0	+1	+ 6
Residential	28.5	+2	+11
Nonresidential	27.5	--	+ 2
Public	28.8	--	+13

^{1/} Seasonally adjusted annual rates; preliminary. Data for the most recent month (September) are available under a confidential arrangement with the Census Bureau. In no case should public reference be made to them.

Final figures reveal that the increase in consumer credit outstanding reached a new high in August. This increase provided a \$10 billion (seasonally adjusted annual rate) net addition to consumer

funds available for purchases. The previous record increase in out-standings occurred in April 1965, when the increase was at an annual rate of just \$9 billion. The August increase in outstandings resulted from a small drop in repayments, while extensions remained high.

INCREASE IN CONSUMER INSTALLMENT CREDIT OUTSTANDING
(Seasonally adjusted annual rates)

Period	Billions of dollars
1965 - QI	7.4
QII	8.0
QIII	8.3
QIV	7.8
1966 - QI	7.1
QII	6.3
QIII	6.6
QIV	4.6
1967 - QI	3.0
QII	2.8
QIII	3.4
QIV	4.4
1968 - QI	6.1
QII	7.1
July	8.2
August	10.2

KEY INTEREST RATES

	1967		1968		
	High		High		
			Sept. 9	Oct. 3	
Short-Term Rates					
Federal funds (weekly average)	5.25 (1/11)	6.38 (5/15)	5.94 (9/4)	5.90 (10/2)	
3-months					
Treasury bills (bid)	5.07 (12/5)	5.92 (5/21)	5.24	5.21	
Bankers' acceptances	5.63 (12/29)	6.13 (5/24)	5.62	5.63	
Euro-dollars	6.88 (11/28)	7.19 (6/4)	5.94	6.19	
Federal agencies	5.30 (12/29)	6.11 (5/17)	5.45	5.38	
Finance paper	5.88 (1/6)	6.13 (6/25)	5.62	5.50	
CD's (prime NYC)					
Highest quoted new issue	5.50 (12/29)	6.00 (7/18)	5.75	5.62	
Secondary market	5.70 (12/29)	6.20 (5/31)	5.85	5.75	
6-months					
Treasury bills (bid)	5.60 (12/1)	6.08 (5/21)	5.27	5.31	
Bankers' acceptances	5.88 (12/29)	6.25 (5/24)	5.75	5.75	
Commercial paper	6.00 (1/16)	6.25 (7/25)	5.88	5.75	
Federal agencies	5.55 (12/29)	6.25 (5/24)	5.56	5.49	
CD's (prime NYC)					
Highest quoted new issue	5.50 (12/29)	6.25 (7/11)	5.75	5.62	
Secondary market	6.00 (12/29)	6.40 (5/31)	5.90	5.80	
1-year					
Treasury bills (bid)	5.71 (12/29)	6.03 (5/21)	5.21	5.19	
Federal agencies	5.95 (12/29)	6.01 (5/31)	5.60	5.58	
Prime municipals	4.00 (12/29)	3.90 (5/31)	2.90	2.90	
Intermediate and Long-Term					
Treasury coupon issues					
5-years	5.91 (11/13)	6.21 (5/21)	5.52	5.49	
20-years	5.81 (11/20)	5.77 (3/14)	5.29	5.34	
Corporate					
Seasoned Aaa	6.25 (12/28)	6.29 (6/6)	5.95	6.03	
Baa	6.98 (12/28)	7.10 (6/3)	6.80	6.77	
New Issue Aaa					
With call protection	6.55 (12/7)	6.83 (5/24)	6.23	6.31	
Without call protection	6.70 (12/1)	6.99 (6/3)	6.53	6.64	
Municipal					
Bond Buyer Index	4.45 (12/7)	4.71 (5/24)	4.44	4.36	
Moody's Aaa	4.15 (12/28)	4.42 (5/31)	4.25	4.14	
Mortgage--Implicit Yield					
In FNMA Weekly Auction <u>1/</u>	--	--	7.72 (6/10)	7.22 (9/9)	7.16 (9/30)

1/ Yield on 6-month forward commitment after allowance for commitment fee and required FNMA stock purchase. Assumes discount on 30-year loan amortized over 15 years.

International Developments

Underlying the Greenbook estimates of the third quarter U.S. balance of payments (pages IV - 3 and 4) are monthly data for July and August (Appendix B) and preliminary estimates for September. On the liquidity basis, before special transactions, and after rough allowance for seasonality, the September deficit was comparable in size to August's, whereas on the same basis there appears to have been a small surplus in July.

As shown in Appendix B, known special transactions in September were \$376 million. Preliminary indications--which are still very tentative, since large shifts may have occurred in the last days of the month, and since the weekly data sometimes differ considerably from the monthly series--are that after special transactions the September deficit was of the order of magnitude of \$100 million, and before special transactions approximately \$475 million, both figures being before seasonal adjustment. The comparable figure for August, not seasonally adjusted, before special transactions was \$678 million (as shown in Appendix B). The apparent improvement from August to September was probably due mainly to seasonal factors. (For the quarter as a whole, it is estimated that the balance on the liquidity basis is seasonally unfavorable to the extent of about \$450 million, divided about equally between July and August; September is not a seasonally unfavorable month.)

Corrections:

Page IV - 7, line 8: reference is to page IV - 3.

Appendix B, items 3 and 6: the monthly figures on these lines are not seasonally adjusted.