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SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

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## SUPPLEMENTAL NOTES

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### The Domestic Nonfinancial Economy

Industrial production is estimated to have risen 0.4 per cent in October, following increases of 1.8 per cent in September and 1.6 per cent in August. At 116.5 per cent of the 1967 average in October, total production was 6 per cent above the April low. Increases in output were fairly widespread among consumer goods and nondurable industrial materials, but were generally smaller than in the two preceding months. Production of business equipment was off slightly after having increased in the two previous months.

**Products.** Output of final products increased slightly further in October as auto assemblies were again raised, by 2.7 per cent, to an annual rate of 7.7 million units. Production of household appliances, other home goods, and nondurable consumer goods continued to advance. The decline in production of business equipment reflected reduced output of trucks and commercial and farm equipment. Output of construction products was unchanged, but that of other intermediate products rose further.

**Materials.** Production of durable goods materials was about unchanged in October. Output of iron and steel was off about 1 per cent, following a decline of about half a per cent now indicated for September. Output of other metals edged up last month. Production of textiles, paper, and chemical materials continued to increase at a rapid pace, although slower than in the previous few months.

INDUSTRIAL PRODUCTION  
(Seasonally adjusted)

	July	Aug.	Sept. (p)	Oct. (e)	Per cent changes		
					Month ago	Year ago	QII to QIII
Total	112.2	114.0	116.0	116.5	.4	- 6.7	3.4
Products, total	115.3	115.8	116.8	117.1	.3	- 4.7	2.2
Final products	115.7	116.0	116.9	117.1	.2	- 4.3	2.3
Consumer goods	125.5	125.5	126.6	127.4	.6	- .6	3.7
Durable goods	115.9	116.1	117.8	119.2	1.2	- 5.8	5.5
Nondurable goods	129.0	129.2	130.0	130.6	.5	1.3	3.1
Business equipment	113.9	114.8	115.9	115.6	- .3	-12.4	.1
Intermediate products	114.3	115.2	116.7	117.3	.5	- 6.4	2.2
Construction products	108.0	109.1	111.5	111.5	--	-13.0	1.2
Materials	106.8	111.2	114.6	115.2	.5	-10.1	5.2

Inventories. Book value of retail inventories rose at an annual rate of \$4.4 billion in September slower than both the August rate of \$12.9 billion and the third quarter average annual rate of \$8.4 billion. The slowing was due to auto inventories which fell at a \$.7 billion rate in September following a rise \$14.3 billion in August and a third quarter average rate of increase of \$5.5 billion.

For manufacturing and trade the rate of increase was \$5.6 billion slower than the \$15.8 billion August increase but slightly faster than the third quarter average rate of \$5.5 billion. The manufacturing and trade inventories sales ratio moved to 1.53 in September from 1.54 in August.

Merchant builder sales of new single-family homes edged down 3 per cent in September to a seasonally adjusted annual rate of 565,000 units. For the third quarter as a whole, new home sales averaged slightly less than the advanced pace in the second quarter, when the impact of the 5 per cent tax credit enacted in late March was apparently strongest.

The stock of unsold new homes edged up in September and represented about 8 months' supply at the current sales rate.

Sales of existing homes were at a record rate in September. The seasonally adjusted index of unit sales rose to 119 (1972=100)-- 7 per cent above August and 6 per cent above the previous high in early 1973. Existing home sales in the third quarter averaged 4 per cent above sales in the second quarter.

HOME SALES

	<u>New Home Sales and Stocks</u>			<u>Sales Indexes of Unit Volume</u>		<u>Median Prices of Homes Sold</u>	
	Homes sold <u>1/</u> (thousands of units)	Homes for sale <u>2/</u> (thousands of units)	Months' supply	New homes <u>3/</u>	Existing homes	New homes (thous. of dol.)	Existing homes (thous. of dol.)
<u>1974</u>							
QI	523	452	10.4	73	106	35.2	30.9
QII	550	436	9.5	77	105	35.6	32.2
QIII	490	414	10.1	68	99	36.2	32.8
QIV	417	400	11.5	58	93	37.3	32.2
<u>1975</u>							
QI	426	396	11.2	59	95	38.1	33.8
QII (r)	571	378	7.9	80	108	39.0	35.4
QIII (p)	566	382	8.1	79	112	38.8	36.1
June (r)	556	378	8.2	77	109	37.9	36.2
July (r)	549	382	8.3	76	105	38.8	35.9
Aug. (r)	583	378	7.8	81	111	38.3	36.8
Sept. (p)	565	382	8.1	79	119	39.4	35.8

1/ Seasonally adjusted annual rate.

2/ Seasonally adjusted, end of period.

3/ Converted to 1972 index for comparison with existing home sales, which are not available on any other basis.

Energy legislation. On Wednesday of this week House and Senate conferees passed an omnibus energy bill which decontrols all oil prices over a 40-month period. The bill provides that the composite price of domestic crude oil would be rolled back to \$7.66 a barrel from the current \$8.75 and then allowed to increase at a 10 per cent per year rate. The bill also requires the President to remove the \$2 fee on imported crude oil. These provisions would result in an average decrease of 3-1/2 cents per gallon in the prices of gasoline and other refined petroleum products. Gasoline prices would subsequently regain their current levels within two years and would be higher by about 3-1/2 cents at the end of the 40-month period. Other provisions of the bill allow the President to retain or modify the two tier price structure of present controls and to include or partially to exclude from controls Alaskan oil when it comes into production in 1977.

The Domestic Financial Situation

No textual addendums to the Greenbook were required, but the usual updating of interest rate developments is contained in the table on page 7.

CORRECTIONS:

Part I, p. I - 8: GROSS NATIONAL PRODUCT AND RELATED ITEMS

Housing starts, private (millions, A.R.)  
1976 - III 1.60



Part I, p. I - 9: CHANGES IN GROSS NATIONAL PRODUCT AND RELATED ITEMS

Top bank of figures are:

Billions of Dollars, based on seasonally adjusted annual rate figures.

Housing starts, private

1976 - III 13.5 per cent per year

IV .0 per cent per year

Part I, p. I - 10: GROSS NATIONAL PRODUCT AND RELATED ITEMS

Housing starts, private (millions, A.R.)

1976 1.56

Part I, P. I - 11: CHANGES IN GROSS NATIONAL PRODUCT AND RELATED ITEMS

Housing starts, private

1976 32.4 per cent

INTEREST RATES  
(One day quotes - in per cent)

	1975		Oct. 20	Nov. 13
	Highs	Lows		
<u>Short-Term Rates</u>				
Federal funds (wkly. avg.)	7.70(1/8)	5.13(5/21)	5.73(10/22)	5.24(11/12)
3-Month				
Treasury bills (bid)	6.90(1/2)	4.88(6/16)	5.90	5.37
Comm. paper (90-119 day)	9.00(1/2)	5.39(6/2)	6.13	5.75
Bankers' acceptances	9.00(1/1)	5.40(5/30)	6.25	5.70
Euro-dollars	10.25(1/3)	5.69(5/21)	6.60	6.56
CD's (NYC) 90-119 day				
Most often quoted now	9.00(1/1)	5.38(6/11)	6.38(10/15)	6.00(11/12)
6-month				
Treasury bills (bid)	7.05(8/25)	5.18(6/11)	6.20	5.66
Comm. paper (4-6 mo.)	8.75(1/2)	5.38(5/23)	6.25	5.63
Federal agencies	7.67(1/2)	5.68(6/12)	6.72	6.11(11/7)
CD's (NYC) 120-269 day				
Most often quoted new	8.38(1/1)	5.75(6/18)	7.13(10/15)	6.50(11/12)
1-year				
Treasury bills (bid)	7.35(9/21)	5.37(2/5)	6.40	5.97
Federal agencies	8.00(8/25)	6.03(2/20)	7.10	6.51(11/7)
CD's (NYC)				
Most often quoted new	8.00(1/1)	6.00(3/12)	7.50(10/15)	7.00(11/12)
Prime municipals	4.35(3/15)	3.40(2/7)	3.70(10/17)	3.75(11/14)
<u>Intermediate and Long-Term</u>				
Treasury coupon issues				
5-years	8.56(9/16)	6.93(2/19)	7.92	7.68
20-years	8.71(9/16)	7.58(2/21)	8.33	8.22
Corporate				
Seasoned Aaa	9.02(4/30)	8.57(2/26)	8.83	8.74(11/12)
Baa	10.63(1/20)	10.27(4/3)	10.35	10.35(11/12)
New Issue Aaa Utility	9.80(4/3)	8.39(2/6)	9.53(10/16)	9.08p
Municipal				
Bond Buyer Index	7.67(10/2)	6.27(2/13)	7.29(10/16)	7.43
Mortgage--average yield				
in FIMA auction	9.95(10/6)	8.78(3/10)	9.95(10/6)	9.32(11/3)