

# FEDERAL RESERVE BANK OF NEW YORK



## MONTHLY REVIEW

JANUARY 1975

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## **The Business Situation**

Signs of weakness in the United States economy have multiplied in recent weeks. Industrial production fell sharply again in November, with the decrease extending far beyond the constricting effects of the coal strike, and home building weakened further. Moreover, both business and consumer demand have continued to slacken. New orders for durable goods and retail store sales dropped for the third consecutive month, and single-family home sales declined as well. With both production and demand declining, labor market conditions have deteriorated rather sharply. The unemployment rate rose in December to 7.1 percent of the civilian labor force, the highest rate in over thirteen years.

Prices have continued to increase at annual rates in the double-digit range, although at the wholesale level the recent rates have been significantly lower than earlier in 1974. Wholesale industrial prices rose at an annual rate of 10.3 percent in November, confirming the deceleration that began in the fall of 1974; earlier in the year, the index of wholesale industrial prices had climbed at a 32.9 percent annual rate. The consumer price index rose at a 10.8 percent annual rate in November, down slightly from the average over the previous ten months. In December, there were several hopeful signs in the price picture. The percentage of purchasing managers reporting higher prices continued to move lower, and at the retail level there were widespread reports of unusual pre-Christmas sales.

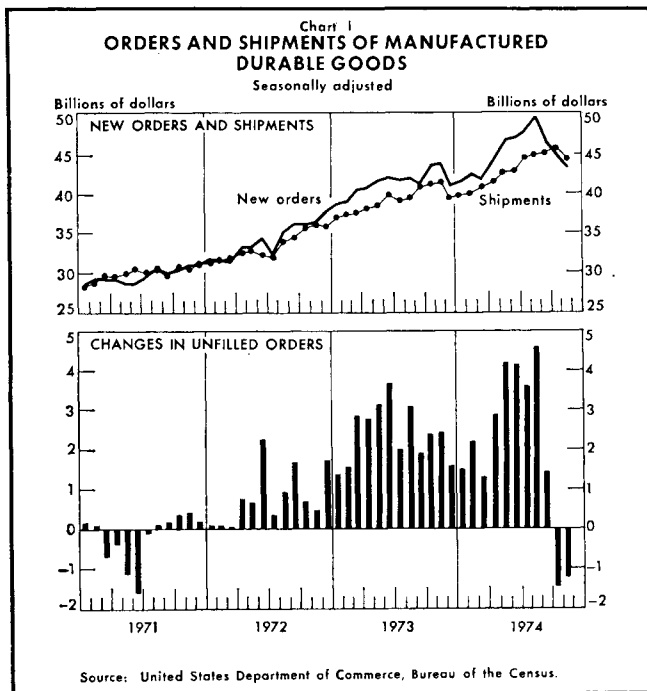
### **INDUSTRIAL PRODUCTION, INVENTORIES, AND DURABLES ORDERS**

The industrial production index of the Board of Governors of the Federal Reserve System registered a 2.3 percent drop in November. Following a sizable decline in October, the November fall pushed the index to a level 4.3 percent below its peak in November 1973. Nevertheless, the total reduction in the output of the industrial sector since November 1973 has amounted to only about half of the de-

cline registered in the last two recessions.

The November drop in industrial production reflected, in part, the effects of the coal strike and the cutbacks in automobile assemblies. The strike by members of the United Mine Workers union accounted for most of the 5.2 percent drop in output at the nation's mines. In addition, the strike hampered those industries dependent on coal. Domestic coal is used to produce coke, a material required for pig iron production and, therefore, steel production. Thus, a good part of the 4.1 percent decline in the iron and steel production index is probably attributable to the strike. Another major user of domestic coal is the electric utility industry which accounts for almost two thirds of total coal usage. Therefore, some part of the 1 percent fall in the output of utilities, which includes electricity production, probably also reflects the coal strike.

During the past several weeks the automobile manufacturers have tried to bring production into line with sagging sales. Layoffs, beginning in late November, cut domestic auto assemblies for that month as a whole to an annual rate of 7 million units, down from an 8.3 million unit rate in October. (During 1973, a record year, the production rate averaged 9.6 million cars.) Nevertheless, production continued to outpace sales of domestic-type autos, which fell further during November to an annual rate of 5.7 million. This was the lowest sales rate since December 1970 when dealers' stocks were depleted in the wake of the two-month General Motors strike. Consequently, inventories of unsold new cars rose further in November to 1.97 million units. In relation to sales, inventories in November amounted to 106 days' supply, the highest inventory-sales ratio in more than ten years. Auto manufacturers have cut production further by temporary plant closings, reduced assembly-line speeds, and large-scale layoffs. As a result, production of passenger cars in December dropped to an annual rate of only 5.3 million units.



While the coal strike and the automobile industry slump contributed to the November decline, production in other sectors dropped as well. Large declines occurred in the output of nonautomotive consumer durables, and business equipment production, which had remained strong through October, fell 1.1 percent. Output of construction products dropped 2.8 percent in November, the sixth straight monthly decline, and production of most other durable and nondurable industrial materials also moved lower. As of November, business equipment output was one of the few components of industrial production that was still above the level of a year earlier.

The continued deterioration in the economy was also evident from the third consecutive monthly decline in new orders for durable goods received by manufacturers (see Chart I). The 3.8 percent drop in November brought new orders to \$43.4 billion at an annual rate, 12.3 percent below the peak August pace. The latest decline in bookings was mainly in primary metals, machinery, and transportation equipment. For nondefense capital goods as a whole, bookings were down 4.8 percent over the month to \$10.8 billion, the lowest level since September 1973. Unfilled orders declined for the second consecutive month, after rising steadily for three and a half years.

It is expected that the figures, when available, will

show that production remained weak in December partly because of the lingering effects of the coal strike. In addition, the decline in new orders and the large overhang in inventories are likely to dampen the level of output. Total business inventories rose by \$5.6 billion in October, the largest increase so far this year; about one third of the advance was attributable to an increase in automobile dealer inventories. With overall business sales rising by less than \$1 billion in October, the ratio of inventories to sales increased substantially. At 1.54 months of sales, the ratio was the highest in almost two and a half years and represents a significant increase from rates of 1.51 months in September and 1.48 in August. Moreover, the strong advance in the ratio occurred despite recent changes in accounting practices that effectively lowered book-value estimates of inventories at some firms.

#### PERSONAL INCOME, RETAIL SALES, AND RESIDENTIAL CONSTRUCTION

Personal income fell \$2.2 billion, or 0.2 percent in November, as mounting layoffs and the coal strike reduced factory payrolls over the month. Wage and salary disbursements in manufacturing declined by \$5.2 billion, the largest drop since the General Motors strike in October 1970. Over the year ended in November, personal income rose by 7.5 percent, substantially less than the price level.

Consumer demand has weakened materially in recent months, reflecting the decline in real income and growing employment uncertainties. Retail sales dropped by \$0.6 billion in November, an amount equal to the average decline in the previous two months. Slow sales at automobile dealers accounted for much of the November decrease, but business was down as well in furniture and appliance stores, apparel shops, gasoline stations, and equipment supply shops, on a not seasonally adjusted basis. Compared with a year ago, total retail sales were up only 5.3 percent, indicating a substantial decline in real terms (see Chart II which shows retail sales deflated by the consumer price index).

The home-building slump worsened in November. Housing starts dipped to 990,000 units at an annual rate, an eight-year low, and new building permits were issued at the lowest rate since the Department of Commerce began collecting the data in 1959. The seasonally adjusted pace of housing starts in November was 10.5 percent below the previous month and down 40.9 percent from a year earlier. A sharp drop in the construction of rental apartments and condominiums accounted for most of the latest decline. In sum, new construction of buildings

with two or more units has fallen to 28 percent of its November 1973 level and is at the lowest rate since March 1960.

Conditions in the market for new one-family homes remained depressed also. Single-unit housing starts in November were 16.4 percent below the rate of a year ago. The slowing in the pace of new home buying has contributed to the recent declines. In October, the number of new one-family homes sold fell to 410,000 units at an annual rate, 18.8 percent below October 1973. While the inventory of new homes for sale declined in October to the lowest level since December 1972, the ratio of homes for sale to homes sold remained at historically high levels.

### PRICES

Severe inflation persists at the retail level, as the prices of commodities and services continue to advance on a broad front. In November, total consumer prices, adjusted for seasonal variations, rose 10.8 percent at an annual rate. Food prices jumped at a 16.5 percent annual rate over the month, largely as a result of soaring sugar costs. In the past year, the retail price of sugar has increased by about 185 percent, reflecting growing world demand and poor harvests. Since the November price survey, however,

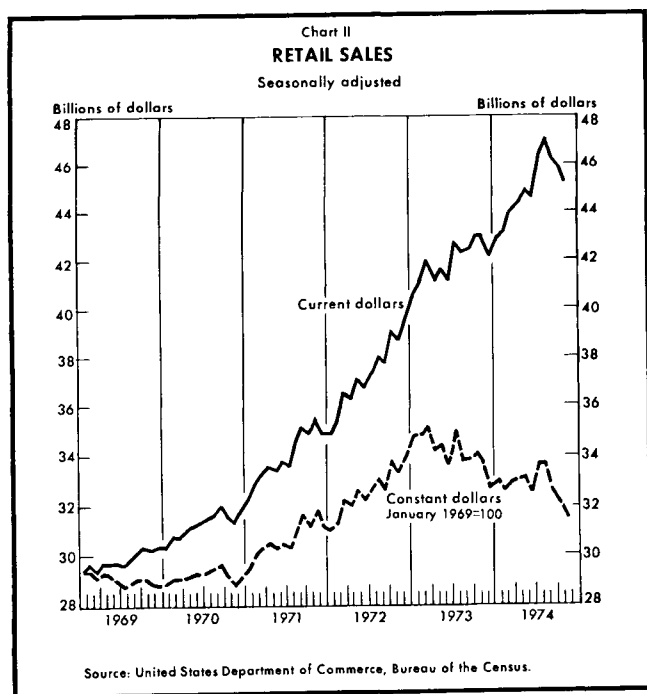
retail sugar prices have reportedly stabilized and even declined slightly.

Price increases were widespread among other consumer goods in November. The index of all commodities less food rose at a 9.3 percent rate. Although faster than the 6.8 percent annual-rate advance in October, the November pace was significantly below the 15 percent rise in the first nine months of the year. Higher clothing prices accounted for about one fourth of the November increase, with prices for appliances, coal and fuel oil, and other nondurables continuing to move ahead rapidly. Gasoline prices fell for the fourth consecutive month but were still 26 percent above a year ago. There were widespread reports of unusual pre-Christmas sales at retail stores during December, which should have a favorable impact on the December price figures. However, it remains to be seen whether this signals a trend toward more moderate price behavior at the retail level.

Wholesale prices advanced at a 14.6 percent annual rate in November, about half the October pace, as the rate of increase in prices of farm and food products slowed from the very rapid 61.5 percent annual rate recorded in October. Despite the slowdown, the index of farm products and processed foods and feeds continued to soar, advancing at almost a 30 percent annual rate. The November increase was attributable largely to sugar and confectionery price rises.

The November wholesale price statistics for nonfood commodities showed further tentative evidence of a deceleration in inflation. Wholesale industrial prices rose at a 10.3 percent annual rate in November, less than the September and October rates and one third the rate of advance in the preceding eight months of the year. Moreover, price increases have become less widespread, especially for goods at the beginning stages of fabrication. After rising 47.1 percent at an annual rate in the first seven months of the year, the index of crude materials has declined by 0.7 percent at an annual rate in the last four months. More recently, the rate of advance in prices of intermediate materials has slowed. In the three months ended in November, the index of intermediate materials less materials for food manufacturing and manufactured animal feeds moved up 10.6 percent, compared with a 37.4 percent pace in the preceding eight months. However, finished goods prices continued to advance rapidly, increasing at an average annual rate of over 20 percent in the last three months.

During a period of general inflation, many prices rise in any month, but as inflation subsides the percentage of prices rising generally declines. In this regard, it is interesting to note that in recent months increasingly fewer

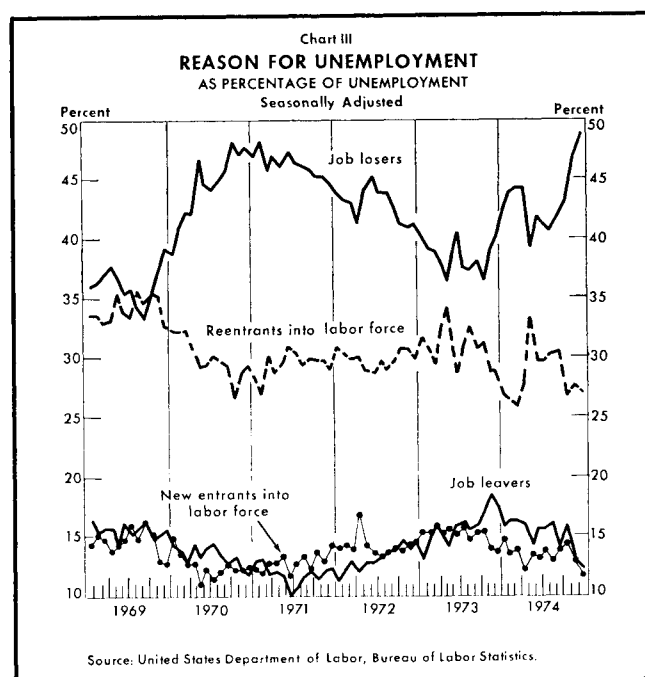


purchasing managers have been reporting higher prices on purchased materials. Each month, the National Association of Purchasing Management, Inc., surveys its members on purchased materials prices, among other things. In November, only 49 percent reported higher prices, whereas 95 percent had reported higher prices in March 1974. According to the latest report, the proportion dropped further in December to 43 percent.

### EMPLOYMENT

The unemployment rate jumped 0.6 percentage point to 7.1 percent in December, the highest rate in over thirteen years. The latest spurt in the unemployment rate was widespread, with the jobless rate for adult men and adult women increasing by 0.5 percent and 0.6 percent, respectively. White collar workers had an unemployment rate of 4.1 percent in December, up from 3.7 percent in November and the highest rate since 1958 when the statistics were first collected. The jobless rate for blue collar workers increased to 9.4 percent in December from 8.2 percent a month earlier.

In December, the civilian labor force remained virtually unchanged; civilian employment dropped by 550,000 persons to the lowest level since September 1973. Over the last two months, the number of unemployed has risen by a substantial 1,022,000 persons, with job losers—those leaving their jobs involuntarily and persons on layoff—accounting for over 75 percent of the increase. As a re-



sult, the number of job losers as a percentage of the total number unemployed has risen from 43.2 percent in October to 48.8 percent in December, similar to rates resulting from the 1969-70 recession (see Chart III).



## The Money and Bond Markets in December

Most short-term interest rates fell during December, although this trend was interrupted at times. The Federal funds rate fell to its lowest level since early in the year, and Treasury bill rates also declined. Signs of a further weakening economy encouraged many investors to expect a continued moderation in credit demands in the months ahead. In addition, market sentiment was also bolstered by the Federal Reserve System's more generous provision of nonborrowed reserves as well as the reduction in the Federal Reserve Banks' discount rates in December from 8 percent to  $7\frac{3}{4}$  percent, the first reduction in three years. Early in January, the Board of Governors of the Federal Reserve System approved a further reduction of  $\frac{1}{2}$  percentage point in the discount rate to  $7\frac{1}{4}$  percent at six Federal Reserve Banks effective January 6.

During December, yields in the intermediate- and long-term debt markets were mixed. In the Government securities market, despite a sizable volume of current and prospective issues, yields on some coupon issues posted sizable declines. New offerings in the corporate sector continued heavy, and corporate yields generally edged upward over the month, although demand for these securities remained strong. In the municipal bond market, yields rose sharply for the second month in a row as demand from commercial banks and insurance companies, which are traditionally heavy purchasers of these securities, was largely absent from the market. By midmonth, the widely followed indexes of tax-exempt bond yields reached record highs. Some cancellations in new offerings occurred as the month progressed, and yields retraced part of their movement by the close of the period.

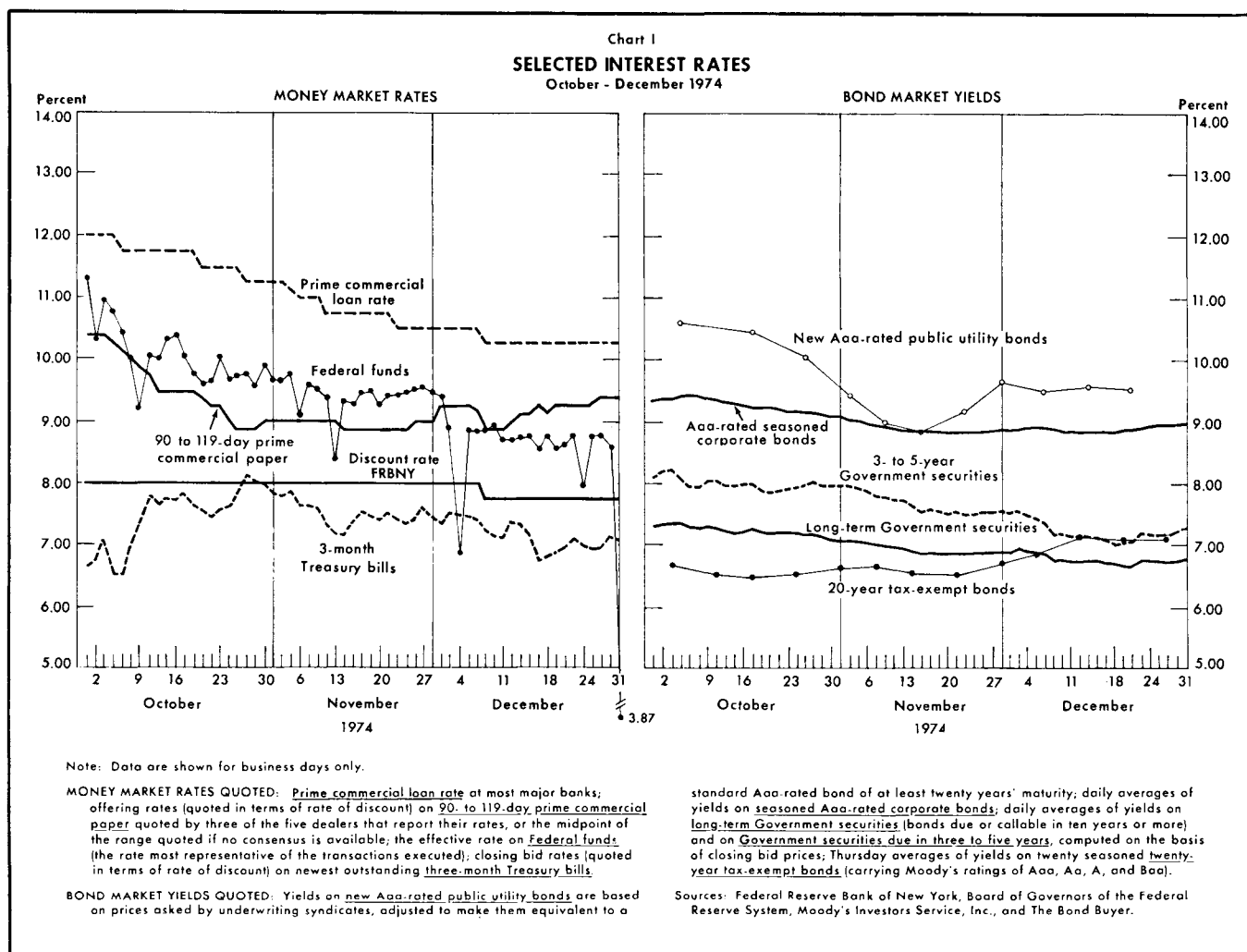
At the end of December, Americans were again permitted to hold gold for the first time since April 1933. With the expiration of the gold regulations, trading in gold futures also became legal and member banks were permitted by the Board of Governors of the Federal Reserve System to buy and sell gold for their customers. Gold, however, was not returned to the status of legal tender and hence will not be accepted as part of a bank's required reserves nor as collateral for advances from the discount window. On December 3, the Treasury announced the sale in January of up to two million troy

ounces from its gold stockpile to help satisfy any pent-up demand by individuals and to prevent a serious outflow of dollars as Americans attempt to satisfy this demand by purchasing from foreign gold suppliers. The initial response on the part of American investors to gold ownership was restrained, however, and, in early January trading, gold experienced sharp price declines on several major markets.

Preliminary data through the week ended December 25 show a mixed pattern in the growth of the monetary aggregates in the fourth quarter of the year. Both the narrowly defined money supply ( $M_1$ ) and the more broadly defined money supply ( $M_2$ ) advanced at a moderate pace, after showing little growth in the third quarter. A sharp drop in the level of Government deposits, however, was at least partially responsible for a slow rate of growth in the adjusted bank credit proxy during the fourth quarter. Taking a longer view, the growth of the money supply measures in 1974 as a whole was substantially below the gains registered in 1973 and 1972, while the rate of increase in the proxy was only slightly lower than its growth over these two years.

### THE MONEY MARKET, BANK RESERVES, AND THE MONETARY AGGREGATES

Most money market rates declined further in December, continuing the trend which began late in the third quarter, but some rates were under upward pressure at times (see Chart I). During the month, the effective rate on Federal funds averaged 8.53 percent, 92 basis points below its average over the preceding month and the lowest level since June 1973. Rates on bankers' acceptances fell about 50 basis points over the month, while rates on three-month CDs in the secondary market declined about 28 basis points. Rates on shorter maturities generally rose as major banks sought to raise funds in this market. Several commercial banks lowered their prime lending rate to  $10\frac{1}{4}$  percent. By the close of the period, the number of major banks was about evenly divided between those posting a  $10\frac{1}{4}$  percent prime rate and a  $10\frac{1}{2}$  percent rate, while one major bank maintained a 10 percent rate until



early January when it raised its rate to 10¼ percent. In contrast to interest rates on other money market instruments, commercial paper rates generally edged upward in December. Rates on 90- to 119-day dealer-placed commercial paper advanced ¼ percentage point to close at 9¾ percent.

Businesses continued to borrow heavily from major money center banks during the month. At New York City weekly reporting banks, business loans, including loans sold to affiliates, rose over the four-week period ended December 25 by \$1,016 million, a much larger gain than experienced over comparable periods during the last several years. Part of this rise reflected a sharp increase in utility borrowings at money center banks. Faced with

strong business loan demand in December, as well as a substantial volume of maturing CDs, New York City weekly reporting banks were quite aggressive in bidding for CDs and Euro-dollar borrowings. Over the four statement weeks of the month, the volume of CDs outstanding at these banks rose \$1,930 million while Euro-dollar liabilities increased \$930 million. Businesses shifted their borrowing away from the commercial paper market, resulting in the volume of nonfinancial commercial paper decreasing substantially over the month by \$554 million.

According to preliminary estimates,  $M_1$ —demand deposits adjusted plus currency outside banks—for the four weeks ended December 25 was up at an annual rate of 5 percent from its average level in the corresponding



four weeks of September. Similarly,  $M_2$ —which consists of  $M_1$  plus time deposits excluding large CDs—grew at a rate of 7.2 percent over the same period, while the adjusted bank credit proxy—which includes deposits of member banks plus certain other liabilities—grew at a rate of 4.3 percent. When measured from the corresponding four-week period in December 1973, growth of the money supply measures closely resemble the three-month figures (see Chart II), with  $M_1$  growing at 4.7 percent and  $M_2$  at 7.5 percent. The credit proxy grew at a rate of 10.2 percent over the same period. Member bank borrowings from the Federal Reserve Banks averaged \$801 million during the month (see Table I), a decline of \$467 million from November's average and the lowest level since November 1972. The reduction in borrowings probably resulted, in part, from the increased availability of nonborrowed reserves.

On December 6, the Board of Governors of the Federal Reserve System announced a change in Regulation Q, effective December 23, providing for the establishment of investment certificates, a new category of long-term consumer-type time deposits. Under the new regulations, member banks are allowed to pay up to 7½ percent annual interest on these certificates which can be issued in maturities of six years or more and in amounts of \$1,000 or greater. The certificates can be issued in either negotiable or nonnegotiable form. The negotiable certificates may not be redeemed prior to maturity, while the nonnegotiable certificates may be redeemed under the Board's existing rules for early withdrawal of time deposits. In announcing the change, the Board said that the action was intended to permit member banks to offer longer term time deposits to small savers at more competitive rates of interest. Similar actions were taken during December by the Federal Deposit Insurance Corporation (FDIC) and the Federal Home Loan Bank (FHLB) Board. Under their new regulations, FDIC-insured nonmember commercial banks also will be permitted to pay 7.5 percent annual interest on these certificates, while FDIC-insured mutual savings banks and savings and loan associations that are members of the FHLBs will be allowed to offer 7.75 percent.

#### THE GOVERNMENT SECURITIES MARKET

Rates on all types of Government securities fell during most of the month of December. Investors were encouraged by the reduction in the discount rate and the continued decline in the Federal funds rate. Over the month, Treasury bill rates in the secondary market fell 33 to 61 basis points. Yields on intermediate-term coupon issues declined 10 to 38 basis points, while long-term

**Table I**  
**FACTORS TENDING TO INCREASE OR DECREASE**  
**MEMBER BANK RESERVES, DECEMBER 1974**

In millions of dollars; (+) denotes increase  
and (—) decrease in excess reserves

Factors	Changes in daily averages— week ended				Net changes
	Dec. 4	Dec. 11	Dec. 18	Dec. 25	
<b>"Market" factors</b>					
Member bank required reserves .....	— 221	+ 236	— 141	+ 174	+ 48
Operating transactions (subtotal) .....	— 386	— 31	— 132	— 2,484	— 3,033
Federal Reserve float .....	+ 750	— 289	— 62	— 217	+ 182
Treasury operations* .....	— 119	+ 215	+ 469	— 1,529	— 964
Gold and foreign account .....	— 150	+ 169	— 38	+ 62	+ 43
Currency outside banks .....	— 542	— 428	— 513	— 620	— 2,103
Other Federal Reserve liabilities and capital .....	— 325	+ 302	+ 12	— 180	— 191
Total "market" factors .....	— 607	+ 205	— 273	— 2,310	— 2,985
<b>Direct Federal Reserve credit transactions</b>					
Open market operations (subtotal) .....	+ 532	— 243	+ 432	+ 2,612	+ 3,333
Outright holdings:					
Treasury securities .....	— 109	+ 958	+ 78	+ 398	+ 1,325
Bankers' acceptances .....	+ 69	+ 67	+ 10	+ 33	+ 179
Federal agency obligations .....	—	—	+ 154	+ 206	+ 360
Repurchase agreements:					
Treasury securities .....	+ 287	— 746	+ 118	+ 1,255	+ 914
Bankers' acceptances .....	+ 116	— 196	+ 25	+ 179	+ 124
Federal agency obligations .....	+ 169	— 326	+ 47	+ 541	+ 431
Member bank borrowings .....	— 411	— 425	+ 174	— 159	— 821
Seasonal borrowings† .....	— 14	— 17	— 4	— 1	— 36
Other Federal Reserve assets‡ .....	+ 198	— 60	— 6	+ 94	+ 226
Total .....	+ 319	— 728	+ 601	+ 2,547	+ 2,739
Excess reserves‡ .....	— 288	— 523	+ 328	+ 237	— 246
	Daily average levels				Monthly averages§
<b>Member bank:</b>					
Total reserves, including vault cash† .....	37,051	36,292	36,761	36,824	36,732
Required reserves .....	36,696	36,460	36,601	36,427	36,546
Excess reserves .....	355	— 168	160	397	186
Total borrowings .....	1,072	647	821	662	801
Seasonal borrowings† .....	51	34	30	29	36
Nonborrowed reserves .....	35,979	35,645	35,940	36,162	35,932
Net carry-over, excess or deficit (—)   .....	200	221	— 50	25	99

Note: Because of rounding, figures do not necessarily add to totals.

\* Includes changes in Treasury currency and cash.

† Included in total member bank borrowings.

‡ Includes assets denominated in foreign currencies.

§ Average for four weeks ended December 25, 1974.

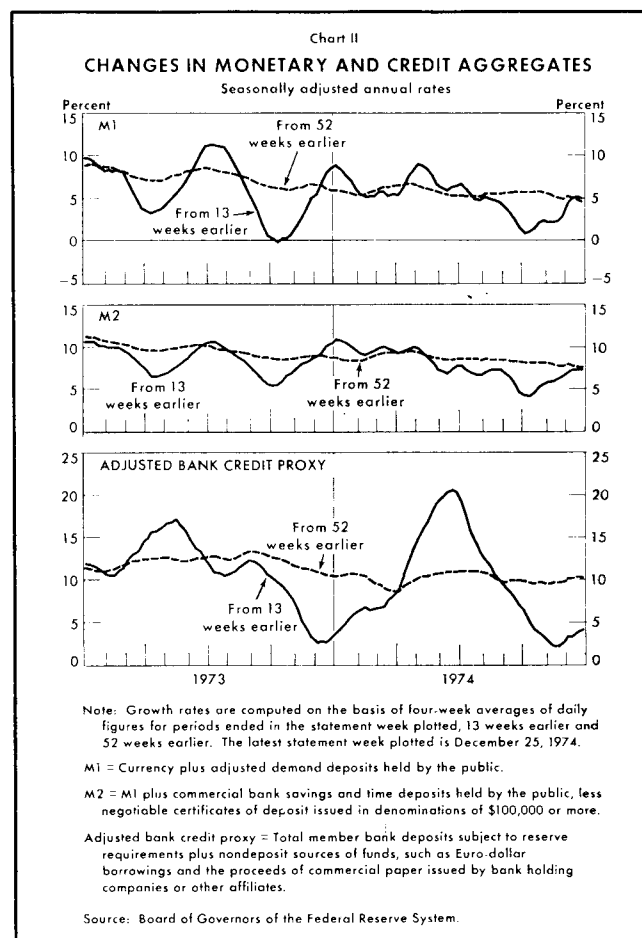
|| Not reflected in data above.

bond yields dropped about 4 to 31 basis points.

Yields at the first weekly bill auction of the month (see Table II) were higher than those at the last auction in November. The average yields on the three- and six-month bills were set at 7.52 and 7.56 percent, respectively, each about 20 basis points above the rates established at the previous auction. When expectations of interest rate declines strengthened, rates fell 35 and 65 basis points at the next auction of three- and six-month bills. The Treasury announced that the third weekly bill auction of the month would not raise any new cash for the first time in ten weeks. Following this news, bidding became more aggressive and, in that auction, rates fell to 7.06 percent for three-month bills and 6.86 percent for six-month bills. Interest faded somewhat toward the end of the month, and higher rates were set in the next two auctions. The Treasury used the last auction of the month as a means of again raising new cash in the amount of \$200 million. In the regular monthly auction of 52-week bills, the average issuing rate was set at 6.63 percent, down from 7.36 percent in the previous month's sale and the lowest issuing rate since March.

Treasury note financing consisted of two auctions, one on December 23 of \$2.3 billion in two-year notes (\$0.3 billion of which was sold to official accounts) and the other on December 30 of \$1.25 billion in additional 7½ percent notes maturing in May 1979. Proceeds from the sales were used to redeem \$1.9 billion of debt maturing at the year-end and to provide additional cash. Bidding at the first auction resulted in an average yield of 7.32 percent, while the second auction produced an average yield of 7.33 percent. The Treasury also auctioned \$750 million on January 2 of additional 8 percent notes due in March 1976 at an average yield of 7.24 percent.

A modest volume of new agency issues and investor expectations about future interest rate movements both contributed to agency financing during December at lower yields than in the previous month. On December 11, the FHLBs sold \$500 million of five-year bonds for new cash at a yield of 7.5 percent. This compared quite favorably with a similar sale in the previous month by the same agency at a yield of 8.15 percent. At midmonth, the Federal Intermediate Credit Banks raised \$19.5 million in new money by selling \$457.5 million of nine-month bonds at a yield of 7.35 percent and \$410.2 million of five-year bonds at a yield of 7.4 percent. On the same day, the Banks for Cooperatives raised \$19.7 million in new money in a sale of \$439.7 million of six-month bonds at a rate of 7.4 percent. Both issues were well received at yields ranging about 65 to 70 basis points below similar offerings in the previous month.



#### THE OTHER SECURITIES MARKETS

Investor demand for corporate securities remained strong in December, as further evidence of an economic slowdown encouraged investors to expect a decline in interest rates. With a heavy calendar of new offerings, however, underwriters were required to post slightly higher yields on issues, compared with the previous month. Investor concern over issue quality, which became evident earlier in the year, continued into December, and yield spreads between issues of different quality ratings remained unusually wide. The tax-exempt market continued to be characterized by light investor demand and concern over quality. The Bond Buyer index of twenty municipal bond yields reached a new record high during midmonth. The unfavorable market conditions in the tax-exempt market caused many offerings to be withdrawn, and the light new issue supply aided in selling high-quality debt later in the month.

The market for industrial offerings was typified by two 25-year issues. An Aa-rated pharmaceutical firm's \$60 million in bonds was priced to yield 8.85 percent at mid-month, while an A-rated manufacturer offered \$50 million in bonds at 9.45 percent. These yields were 10 to 12 basis points above similar offerings of the previous month. Utilities were forced also to post higher yields during the month. An Aa-rated Bell Telephone subsidiary offered 9.63 percent on \$80 million in bonds due in the year 2010. This was 48 basis points above the yield on similarly rated issues of the previous month. The International Bank for Reconstruction and Development offered \$300 million of six-year notes at a yield of 7.93 percent and \$200 million of eleven-year notes at a yield of 8.15 percent. The Aaa-rated issues were very well received.

Well-publicized budget difficulties afflicting New York City constituted an important contributing factor to the record high of 7.15 percent in The Bond Buyer index of tax-exempt yields posted at midmonth. Other components of the index, however, were actually lower than they had been earlier in the year. Dealers in tax-exempt issues who held large inventories of depreciating city debt obligations became increasingly reluctant to underwrite a large volume of new issues. These conditions caused several issues to be withdrawn, and the resulting light supply of new municipals contributed to some improvement in selling conditions toward the latter half of the month. For example, early in the month an Aaa-rated county government sold competitively \$35 million in various-purpose bonds at yields ranging from 4.7 percent to 7.25 percent for maturities in 1976 and 1990, respectively. After midmonth, however, the state of Ohio experienced a swift sellout of its \$60 million in Aaa-rated

bonds at the slightly lower yields of 4.6 percent and 6 percent for maturities in 1975 and 1988, respectively. New York City again brought into the market a sizable offering of \$600 million in short-term notes in early December. The offering provided yields of 8.5 percent on \$200 million in six-month notes and 9 percent on \$400 million in one-year notes. By the close of the period, The Bond Buyer index stood at 7.08 percent, 37 basis points above its level at the end of November. The Blue List of dealers' advertised inventories declined over the month by \$316 million to a level of \$720 million on December 31.

**Table II**  
**AVERAGE ISSUING RATES**  
**AT REGULAR TREASURY BILL AUCTIONS\***

In percent

Maturity	Weekly auction dates—December 1974				
	Dec. 2	Dec. 9	Dec. 16	Dec. 20	Dec. 27
Three-month .....	7.524	7.172	7.058	6.963	7.113
Six-month .....	7.564	6.911	6.858	7.032	7.101
	Monthly auction dates—October-December 1974				
	Oct. 16	Nov. 13	Dec. 11		
Fifty-two weeks .....	7.629	7.362	6.625		

\* Interest rates on bills are quoted in terms of a 360-day year, with the discounts from par as the return on the face amount of the bills payable at maturity. Bond yield equivalents, related to the amount invested, would be slightly higher.