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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

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### 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.