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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

March 19, 1965

SUPPLEMENTAL NOTES

The Domestic Economy

New orders for durable goods (advance figures) showed little change in February after rising considerably in the two preceding months. The January-February level about equaled the peak reached last July, when defense orders were exceptionally large, and was 6 per cent above the 1964 monthly average. In February, defense orders rose somewhat further and new orders for metals and motor vehicles remained at advanced levels. On the other hand, new orders for machinery and equipment declined to the lower end of the range within which they have fluctuated since last May.

Unfilled orders for durable goods rose further in February, with the rise for the month concentrated in metals and defense products. At the end of the month the total order backlog was up 15 per cent from a year earlier; increases over the year were widespread among industries but metals and machinery and equipment accounted for four-fifths of the over-all gain.

Personal income rose \$500 million in February to a seasonally adjusted annual rate of \$511 billion. The February rise was equal to the average monthly increase of the last twelve months, if the \$2 billion (annual rate) special nonrecurring dividend on veterans' life insurance is excluded from the January total. Personal income in February was 6.3 per cent higher than a year earlier.

Seasonally adjusted housing starts, which had dropped sharply in January from an advanced December rate, dipped further in February to about the recent low reached last August. On a three-month

moving average, however, the rate in the most recent period continued above 1.5 million, little changed from the November-January average and moderately above the reduced rate in the third quarter of last year.

Seasonally adjusted residential building permits also declined in February, but--unlike starts--this followed a sharp recovery in January. While all types of structures shared in the February decline, the reduction for 5-or-more family structures was very slight.

PRIVATE HOUSING STARTS AND PERMITS

	February (thousands of units) ^{1/}	Per cent change from:	
		Month ago	Year ago
Starts (total)	1,422	- 3	- 14
Permits (total)	1,272	- 3	- 9
1 - family	744	- 3	- 8
2-4 - family	79	-16	- 35
5-or-more-family	449	- 1	- 5

^{1/} Seasonally adjusted annual rate; preliminary.

The Domestic Financial Situation

The seasonally adjusted money supply showed a sharp \$1.4 billion increase in the first half of March (based on preliminary data). This brought the level to \$160.2 billion, about the same as in the first half of January. The early March increase was associated in part with an unusually large reduction in U. S. Government deposits following a greater-than-seasonal build-up in February.

Seasonally adjusted time and savings deposits at all commercial banks increased \$700 million over the first half of March. This was at a little slower pace than growth in the second half of February and substantially below the sharp expansion earlier in the year.

Credit expansion at New York City banks was large over the two weeks encompassing the March tax and dividend payment period although slightly smaller than last year's unusually sharp rise. Corporate tax payments were estimated to be a little higher than in March last year but there were more tax bills and CD's maturing to meet tax payments this year.

Business loans at New York City banks, however, rose by a record \$483 million in the week of March 17. Combined with the previous week's decline, business loan expansion over the two weeks, while larger than in the corresponding weeks of the previous two years, was not as large as in 1961 and 1962. Borrowing was particularly heavy in the metals group, while inventory accumulation has been continuing, but most other major cyclically-oriented industries also increased their borrowings.

Credit extended indirectly to businesses (e.g., through dealer and finance company loans and changes in bill holdings and outstanding CD's declined slightly over the tax period.

March 19, 1965.

Errata Sheet For

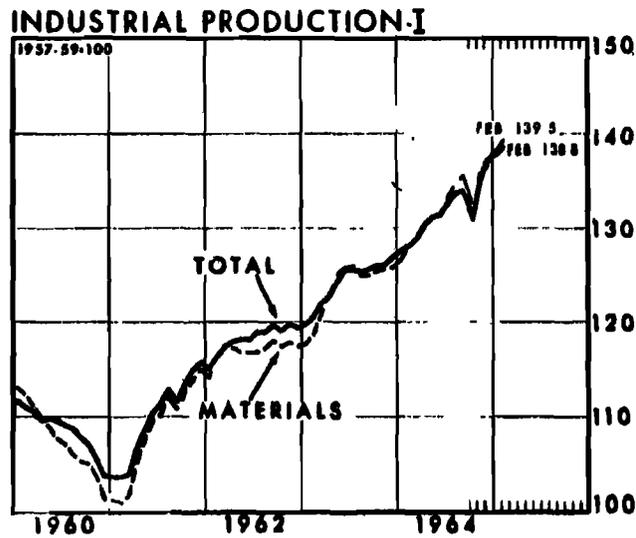
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

March 17, 1965

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	Latest Period	Amount		Per cent change		
		Latest Period	Precedg Period	Year Ago	Year Ago*	2 Yrs. Ago*
Industrial Production (57-59=100)	Feb. '65	138.8	138.1	128.2	8.3	15.1

Chart II -- C - 1



B - 1

APPENDIX B: LABOR FORCE PROJECTIONS TO 1970