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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

November 18, 1966

SUPPLEMENTAL NOTES

The Domestic Economy

Seasonally adjusted housing starts dropped a fifth further from the already reduced September rate and at an annual rate of 848,000, including farm, were the lowest since World War II. About half of the month-to-month decline, however, reflected the fact that unadjusted starts would normally be expected to rise by about an implied 10 per cent from September to October, and this October they declined contraseasonally. The seasonal adjustment factors become much lower in the remaining months of the year, and because in the current abnormal state of the market, the prevalence of normal seasonal patterns cannot be assumed, a return by the seasonally adjusted series to an annual rate at or above 1 million mark seems likely. This would compare with a rate of 1.07 million in September and a third quarter average of 1.09 million.

Unlike starts, building permits--although also already extremely low--showed only a very slight further decline in October almost entirely in multifamily structures. Regionally, the movement of permits was mixed, with the Northeast and North Central states registering further declines and the South and West showing some rise.

PRIVATE HOUSING STARTS AND PERMITS

| | October (thousands of units) ^{1/} | Per cent change from | |
|-------------------|--|----------------------|--------------|
| | | September 1966 | Year earlier |
| Starts | 848 | -21 | -40 |
| Permits | 719 | - 2 | -42 |
| 1 - family | 449 | -- | -38 |
| 2- or more family | 270 | - 5 | -48 |
| Northeast | 129 | -12 | -51 |
| North Central | 197 | - 7 | -35 |
| South | 245 | + 4 | -43 |
| West | 148 | + 7 | -40 |

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

The Domestic Financial Situation

The average yield on call-protected new corporate bonds--adjusted to an Aaa basis--rose to 5.90 this week as the corporate calendar continued to build up. Public offerings planned for December now total nearly \$1 billion and may ultimately match even the record August total. Moreover, the Thursday announcement of the \$150 million Bethlehem Steel debt issue raises the already scheduled January calendar to \$550 million.

In the municipal market, an increased volume of forthcoming new issues put upward pressure on yields with those on seasoned Aaa-rated bonds rising 9 basis points. Dealers' advertised inventories of unsold municipal bonds have expanded recently to about \$500 million from \$340 million at the end of October.

The Federal National Mortgage Association will sell \$550 million of debentures on November 29, probably with a maturity of 2 to 3 years. \$300 million of the securities will be sold publicly, more than replacing a maturing issue of some \$90 million due on December 12. The remaining \$250 million will be bought by the Treasury Trust Accounts, bringing the total of such purchases since early September to over \$1,100 million.

Corrections

Page I - 4: Top line should read, "steel and some other materials. For machinery and equipment, for which prices". In some copies of the Greenbook, the International Section, IV, was inserted in the middle of the Domestic Financial Section, III, between Pages III - 13 and III - 14.