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CLASS II - FOMC

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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

The Domestic Nonfinancial Economy

January retail sales were estimated by the Commerce Department to be down 2 per cent from a slightly upward revised December level. Sales by automobile dealers were estimated to have declined by 6 per cent, while all other sales declined 1 per cent. Declines were spread over several categories, but sales by apparel and accessory stores reported a sizable increase for the month.

Wholesale prices rose 0.5 per cent, seasonally adjusted (not at an annual rate), from December to January as measured about January 11.

Industrial commodities increased 0.5 per cent, seasonally adjusted, largely as a result of higher prices for metals and metal products, machinery and equipment, chemicals and allied products, textile products and apparel, and miscellaneous products such as tobacco products and notions. Excluding the fuels and power group, industrial commodities rose 0.7 per cent, slightly above the rate posted for December. This reflected reported reductions in gasoline and petroleum prices.

Farm and food products rose 0.3 per cent, seasonally adjusted, with increases for fresh and dried vegetables, manufactured animal feeds, grains, and live poultry accounting for most of the rise.

RECENT PRICE CHANGES

(Per cent changes at annual rates; based on seasonally adjusted data)1/

	Relative impor- tance Dec. 76	Dec. 74 to Dec. 75	Dec. 75 to Dec. 76	Dec. 75 to June 76	June 76 to Sept. 76	Sept. 76 to Dec. 76	Dec. 76 to Jan. 77
<u>Wholesale Prices</u>							
All commodities	100.0	4.2	4.7	3.9	3.3	7.4	5.8
Farm and food products	21.6	-.3	-1.1	1.0	-12.2	6.6	3.9
Industrial commodities Excluding fuels and related products and power	78.4	6.0	6.4	4.8	8.2	7.8	5.7
Materials, crude and intermediate <u>2/</u>	67.7	5.0	6.1	5.6	6.7	6.6	8.1
Finished goods	49.1	5.4	6.7	5.4	7.7	8.4	4.8
Consumer nonfoods	18.7	6.7	4.8	3.1	8.2	5.2	11.6
Producer goods	12.1	8.2	6.5	5.8	5.0	9.2	4.7
Memo:							
Consumer foods	10.4	5.5	-2.5	-1.2	-13.8	8.6	-1.3

1/ Not compounded for one-month changes.

2/ Estimated series.

The report of initial claims for State unemployment insurance benefits for the week ending February 5 provides more evidence of layoffs due to weather and natural gas curtailments than the preceding week. On a seasonally adjusted basis, State initial claims rose 120,000 during the first week of February; not seasonally adjusted, the level rose 185,000 and was 55 per cent above a year ago. In addition, Florida has reported that 27,000 workers not covered by State unemployment insurance--largely farmworkers--have filed claims for unemployment insurance benefits under the Disaster Assistance Act.

INITIAL UNEMPLOYMENT CLAIMS 1977

	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29	Feb. 5
seasonally adjusted						
<u>Initial Claims</u>						
Total	433.1	467.2	407.0	465.4	465.0	590.4
Regular State Programs	375.6	407.5	360.8	418.9	417.0	536.8
Other	57.5	59.7	46.2	46.5	48.0	53.6
not seasonally adjusted						
Regular State Programs	558.1	685.4	597.2	598.0	518.7	702.1

The Senate and House Budget Committees have approved revised budget targets for fiscal year 1977. The Congressional outlay and receipts totals which are presented below, include a fiscal package that is almost \$2 billion larger than President Carter's \$15.5 billion proposal.

Comparison of Congressional Budget Targets
(billions of dollars; fiscal year 1977)

	<u>Second Concurrent Resolution</u>	<u>Third Concurrent Resolution</u>		
	Passed 9/10/76	Senate	Senate Adjusted*	House
Receipts	\$362.5	\$346.8	\$349.0	\$348.5
Outlays	<u>413.1</u>	<u>415.0</u>	<u>417.2</u>	<u>418.8</u>
Deficit (-) or Surplus	-50.6	-68.2	-68.2	-70.3

* The Senate treats the regular earned income credit and the special \$50 payment to earned income credit recipients as a tax cut; whereas the House, OMB and the FRB staff treat them as an expenditure. An adjustment therefore, is needed to make the Senate and the House totals comparable, as regards budget accounting.

The Domestic Financial Economy

No textual addendums to the Greenbook were required, but the usual updating of interest rate developments is contained in the table on page 6.

ERRATA - PART II:

II-14: Section 235 in the heading and footnote of the table on page II-14 should read Section 236.

III-T-1 Table: Selected Domestic Financial Data

	<u>Current Month</u>	<u>Year to Date</u>
	1977	1977
line 24: Business Loans at Commercial Banks	.8	.8
line 25: Total of Above Credits	25.0	91.3

III-6 Table: Commercial Bank Credit

	<u>January</u>	<u>December-</u> <u>January</u>	<u>12 months</u> <u>ending January</u>
line 5: Business loans	5.4	1.0	1.0
line 9: Business loans less bankers acceptances	12.5	3.8	.2
line 10: Business loans less bankers acceptances plus nonfinancial commercial paper	14.2	7.1	1.3
line 11: Business loans (includ- ing bankers accep- tances) plus non- financial paper	7.5	4.4	2.0

IV-18: parallel increases in their volume of foreign trade (4th line)

Change to: parallel movements in their volume of foreign trade.

IV-20 Table 2: Italy - Current Account (NSA) 1976 was -2.2e

Change to: -3.0e

IV-20 Table 2: Italy - Current Account (NSA) 1976-IV (last column)

was -3.0e.

Change to: -3.8e

INTEREST RATES
(One day quotes--in per cent)

	1976		1977	
	Highs	Lows	Jan. 17	Feb. 10
<u>Short-term Rates</u>				
Federal funds (wkly. avg.)	5.53(6/30)	4.63(12/22)	4.65(1/19)	4.66(2/9)
3-month				
Treasury bills (bid)	5.57(6/2)	4.24(12/20)	4.65	4.63
Comm. paper (90-119 days)	6.00(6/15)	4.63(12/31)	4.75	4.75
Bankers' acceptances	5.95(6/2)	4.58(12/20)	4.83	4.83
Euro-dollars	6.81(6/1)	4.81(12/8)	5.19	5.00
CD's (NYC) 90 days				
Most often quoted new	5.75(6/16)	4.50(12/29)	4.70(1/12)	4.75(2/9)
6-month				
Treasury bills (bid)	5.96(5/27)	4.47(12/23)	4.88	4.86
Comm. paper (4-6 mos)	6.00(6/22)	4.63(12/31)	4.75	4.88
Federal agencies	6.42(5/27)	4.72(12/22)	5.11	5.21p
CD's (NYC) 180 days				
Most often quoted new	6.50(6/2)	4.60(12/29)	4.88(1/12)	5.00(2/9)
1-year				
Treasury bills (bid)	6.39(5/27)	4.59(12/27)	5.07	5.12
Federal agencies	6.86(5/28)	5.00(12/27)	5.48	5.63p
CD's (NYC)				
Most often quoted new	6.75(6/16)	4.80(12/15)	5.13(1/12)	5.25(2/9)
Prime municipals	3.70(5.28)	2.50(12/31)	2.85(1/14)	2.75(2/11)
<u>Intermediate and Long-term</u>				
Treasury (constant maturity)				
5-year	7.82(5/27)	5.99(11/26)	6.60	6.76
20-year	8.20(5/21)	7.17(12/31)	7.54	7.60
Corporate				
Seasoned Aaa	8.66(1/2)	7.97(12/20)	7.98	8.01(2/9)
Baa	10.34(1/2)	9.08(12/17)	9.05	9.09(2/9)
New Issue Aaa Utility	8.95(5/28)	7.93(12/10)	8.05(1/14)	8.15(2/4)
Municipal				
Bond Buyer Index	7.13(1/8)	5.83(12/30)	5.89(1/13)	5.93(2/3)
Mortgage--average yield				
in FNMA auction	9.20(6/1)	8.39(12/27)	8.46(1/10)	8.52(2/7)