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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).

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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 30, 1964.

The Domestic Economy

New orders for durable goods, which had been originally reported down 4.5 per cent in October, are now shown to have declined only 2 per cent. The decline was due to the General Motors strike, which, however, resulted in a somewhat smaller decline in the auto industry than was indicated earlier. The revised figures show a considerably larger rise in new orders for aircraft than was estimated earlier. Moreover, new orders for machinery were revised upward somewhat. New orders for nonelectrical machinery have been nearly stable since last April.

The seasonally adjusted book value of manufacturers' inventories increased over $550 million in October. This was the largest increase for the year to date, and it may reflect some accumulation of stocks of auto materials and parts during the General Motors strike. Durable goods manufacturers accounted for $350 million of the October increase, and the level of durable goods' inventories at the end of September has been revised upward to show accumulation of $250 million in that month instead of the $170 million indicated earlier. In nondurable goods industries, accumulation totaled over $200 million in October, bringing the book value of inventories back to about last May's level and slightly above the level at the end of 1963.

According to the latest Census Bureau quarterly Survey of Consumer Buying Intentions, consumer demands for new autos and household durable goods have strengthened further in recent months. The new survey--which, according to the Census Bureau may not be entirely comparable with preceding surveys because of the introduction of a new form--shows that in mid-October 10.4 per cent of families were planning to buy a new car within 12 months. This is significantly above the 9 per cent reported last summer and 8.9 per cent in October 1963. Also, 23.5 per cent of families surveyed expressed intentions to buy major household durable items, as compared with 21.8 per cent in July and 21.5 per cent in October a year ago.

The Domestic Financial Situation

Markets for corporate and municipal bonds steadied in the latter part of last week, when it was announced that the major countries of the world are prepared to lend the Bank of England $3 billion to support the pound in its current crisis. Earlier in the week, the successive U.K. and U.S. discount rate actions had been followed by yield advances ranging from 4-7 basis points in the various municipal bond series and from 1 to 3 basis points in the "seasoned" corporate bond series. More recently offered corporate bonds showed increases of as much as 7 basis points. For most issues, however, these increases only partly offset the decline in yields that had accompanied the general bond market rally from late October to mid-November.

In the face of last week's sterling crisis, U.S. stock market prices backed away from the record high reached the preceding Friday. Standard and Poor's composite index of 500 stocks declined about 1 per cent to 85.16, a level slightly below the earlier high reached in mid-October.

Yields on short-term U.S. Government securities have adjusted slightly higher and longer-term yields have been steady since the discount rate was raised (by several Reserve Banks) on November 24. At midday November 30, 91-day Treasury bills were quoted 3.83 per cent bid, up from a closing level of 3.80 per cent on November 24.

The money supply, seasonally adjusted, is now estimated on a preliminary basis at $158.8 billion in November, about $200 million higher than in October. Since the June-July bulge, the money supply has expanded at an annual rate of 4.1 per cent, about the same as the rate thus far this year.

Preliminary estimates indicate that time and savings deposits may have increased about $1.9 billion in November. This was the largest one-month rise since February 1962, and brought the annual rate of expansion thus far this year to 12.3 per cent.

International Developments

Since last Wednesday's announcement of the international assistance package for Britain, there has been some appreciation in the spot rate for the pound to about 279.20 cents, but the forward discount for 3-month contracts has widened to more than 2-3/4 per cent per annum. International money markets have still not fully digested the events of last week.

Erratum

In Broad Review, page I-1, paragraph 2, change to:
On Tuesday (November 24), the 3-month bill closed at 3.80 per cent, but prior to that had remained in the 3.54 - 3.60 per cent range for some time.