Prefatory Note

The attached document represents the most complete and accurate version available based on original copies culled from the files of the FOMC Secretariat at the Board of Governors of the Federal Reserve System. This electronic document was created through a comprehensive digitization process which included identifying the best-preserved paper copies, scanning those copies,[1] and then making the scanned versions text-searchable.[2] Though a stringent quality assurance process was employed, some imperfections may remain.

Please note that some material may have been redacted from this document if that material was received on a confidential basis. Redacted material is indicated by occasional gaps in the text or by gray boxes around non-text content. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

---

[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.

Content last modified 6/05/2009.

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

October 3, 1969

The Domestic Nonfinancial Economy

Labor market. Unemployment rose sharply in September and nonfarm employment showed relatively little growth for the third month in a row (confidential until noon Monday, October 6). The unemployment rate rose by half a point to 4.0 per cent, the largest monthly increase since 1960. There were increases in unemployment in each of the major age-sex groups--including adult men (aged 25 and over)--but over half the increase occurred among 16 to 24 year olds. The increase in joblessness was a significant sign of easing but its size should be regarded with special caution for several reasons.

First, the August rate--3.5 per cent--was probably held down by the early model changeover in the auto industry, which also inflated the employment and income figures. Second, September is a transition month when labor force flows are intensified by the opening of schools. This year the survey week was relatively early and some students--especially those in college--may have still been in the job market. Thus, some of the increase may be washed out in October when all of the schools are open. Finally the size of the September increase does not appear to be fully consistent with other measures of employment demand and unemployment change. Historically, that large an increase has reflected substantial net layoffs. In fact, employment levels were up slightly in September and the increase in insured unemployment claims was moderate.

Nevertheless, some of the increase in unemployment is supported by other data. Employment has moved down this summer in construction as well as in some supplier industries. Similarly, defense contractors have cut back employment somewhat and government employment (both Federal and State and local) has tapered off since June. Weakening in these sectors also occurred when labor demand appeared to be easing in other industries.

UNEMPLOYMENT RATES
(Seasonally adjusted)

	1968	1969	
	September	August	September
Total	3.6	3.5	4.0
Men aged:			
16-19 years	10.9	11.1	12.1
20-24 years	5.2	4.5	6.3
25 years and over	1.8	1.7	1.9
Women aged:			
16-19 years	14.4	14.1	14.6
20-24 years	6.8	6.4	7.1
25 years and over	3.1	3.3	3.5

Nonfarm employment. Nonfarm payroll employment showed no change in September. But after adjustment for strike effects and impact of the early model changeover in the auto industry an advance of about 70,000 was indicated. Employment increases continued in the capital-goods group, primary metals and services. Little change occurred in the consumer-goods and trade sectors, while employment continued to decline in construction and the Federal government.

The manufacturing workweek edged back up to 40.7 hours in September, but was down 0.3 hour from a year earlier.

Since June, nonfarm employment growth has averaged only 33,000 monthly, compared to advances of 278,000 monthly early in the year. The slowing of growth has occurred in all sectors except the capital-goods group and primary metals. Declines have continued in construction and Federal employment. State and local government employment has tapered off, at least temporarily, while trade and the consumer-goods industries have held employment levels about steady.

NONFARM PAYROLL EMPLOYMENT
(In Thousands, Seasonally Adjusted)

	(Average Monthly Change)		
	December-March	March-June	June-September
Total	278	197	33
Government	33	42	-31
Private industry	245	154	64
Construction	15	31	-25
Manufacturing	55	25	31
All others	175	98	58

Unit auto sales. Sales of new domestic autos, after allowance for the earlier introduction date of the 1970 models, rose in September to an annual rate of about 9 million units, 12 per cent above the reduced July-August rate and the same as a year earlier. Sales in the final selling period of September increased to a new high, about 20 per cent above the usual strong sales that typically follow the introduction of new models.

Construction activity. Outlays for new construction, which were revised upward somewhat for August, changed little in September, at a seasonally adjusted annual rate of $91.1 billion. This was still very near the peak reached in early 1969 and as much as 6 per cent above a year earlier, although all of the year-to-year increase reflected higher costs.

Within the private sector, current dollar outlays for residential structures continued downward in September and were more than a tenth below the peak of last February. But outlays for industrial, commercial and other private nonresidential construction apparently changed little from their overall peak in July.

NEW CONSTRUCTION PUT IN PLACE
(Confidential FRB)

	September 1969 ($ billion) 1/	Per cent change from	
		August 1969	September 1968
Total	91.0	--	+ 6
Private	61.0	--	+ 6
Residential	28.6	- 1	- 2
Nonresidential	32.4	--	+ 15
Public	30.0	+ 1	+ 5
Federal	3.5	+ 3	+ 2
State & local	26.5	+ 1	+ 8

1/ Seasonally adjusted annual rates; preliminary. Data for the most recent month (September) are confidential Census Bureau extrapolations. In no case should public reference be made to them.

Expenditures for public construction rose somewhat further in September, with outlays for State and local projects--by far the major category--holding at an extremely advanced rate. Indications are for some reduction in public outlays over the period ahead, however, based on recently announced Administration plans for a substantial cutback in contracts for Federally-owned projects during the remainder of this fiscal year and accompanying requests for curtailment by State and local governments to help relieve inflationary pressures within the construction industry as a whole. Difficulties encountered in the market for municipal bonds this year also point to some slowing.

The Domestic Financial Situation

Nonbank depositary intermediaries. Preliminary data for the first three days of the current reinvestment period indicate that the 15 largest New York City Mutual Savings Banks had substantial net outflows. After rough adjustment for seasonal factors, these outflows were probably larger than those in June 1969. Data for the grace period for savings and loans should be available in time for the FOMC meeting.

3 GRACE DAYS COMBINED
15 LARGEST NEW YORK CITY MUTUAL SAVINGS BANKS

	Net ($ millions)	Adjusted* ($ millions)	As a Per Cent Deposits
June			
1969	-316.1	-166.3	-.81
September			
1966	-170.7	- 73.2	-.47
1967	-153.5	- 58.2	n.a.
1968	-166.6	- 61.7	-.34
1969	-271.3	-134.9	-.72

* Adjusted for repayment of passbook loans made earlier to save interest.

Corrections

Section III - page 25, fourth line from bottom "6 per cent ceiling imposed by Congress" should read "6 per cent ceiling imposed by most States on such debt issues."

KEY INTEREST RATES

	1969 Lows	1969 Highs	Sept. 8	Oct. 2
Short-Term Rates				
Federal funds (weekly average)	5.95 (1/1)	9.61 (9/24)	9.57 (9/3)	9.11 (10/1)
3-months				
Treasury bills (bid)	5.87 (4/30)	7.17 (10/1)	7.09	7.08
Bakers' acceptances	6.38 (2/17)	8.50 (7/9)	8.13 (9/3)	8.25
Euro-dollars	7.06 (1/22)	12.50 (6/10)	11.20 (9/3)	11.05 (10/1)
Federal agencies	6.03 (3/28)	7.86 (10/2)	7.54 (9/3)	7.86
Finance paper	6.13 (3/11)	8.25 (7/30)	7.63	7.88
CD's (prime NYC)				
Highest quoted new issue	6.00	6.00	6.00	6.00
Secondary market	6.40 (1/30)	8.70 (7/23)	8.25 (9/3)	8.60
6-months				
Treasury bills (bid)	5.96 (4/30)	7.39 (9/9)	7.37	7.30
Bankers' acceptances	6.50 (2/17)	8.72 (7/9)	8.25 (9/3)	8.37
Commercial paper	6.25 (1/6)	8.88	8.25 (9/3)	8.88
Federal agencies	6.32 (1/17)	8.14 (7/30)	7.96 (9/3	7.87
CD's (prime NYC)				
Highest quoted new issue	6.25	6.25	6.25	6.25
Secondary market	6.50 (1/30)	9.00 (7/23)	8.30 (9/3)	8.85
1-year				
Treasury bills (bid)	5.86 (1/16)	7.47 (7/1)	7.41	7.40
Prime municipals	3.90 (1/3)	5.85 (9/17)	5.75	5.75
Intermediate and Long-Term				
Treasury coupon issues				
5-years	6.11 (1/20)	8.06 (10/1)	7.39	7.98
20-years	5.91 (4/14)	6.84 (9/30)	6.48	6.77
Corporate				
Seasoned Aaa	6.56 (1/2)	7.18 (9/24)	7.04 (9/3)	7.27
Baa	7.26 (2/3)	8.08 (9/17)	7.94 (9/3)	8.17
New Issue Aaa				
No Call Protection	7.03 (1/23)	7.80 (6/18)	--	--
Call Protection	6.90 (2/20)	8.22 (10/1)	7.90 (9/3)	8.22
Municipal				
Bond Buyer Index	4.82 (1/23)	6.37 (9/3)	6.37 (9/3)	6.19
Moody's Aaa	4.57 (1/2)	5.85 (9/17)	5.80 (9/3)	5.83
Mortgage--implicit yield in FNMA weekly auction 1/	7.66 (1/6)	8.48 (9/29)	8.36	8.48 (9/29)

1/ Yield on 6-month forward commitment after allowance for commitment fee and required purchase and holding of FNMA stock. Asumes discount on 30-year loan amortized over 15 years.