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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

March 31, 1967

SUPPLEMENTAL NOTES

The Domestic Economy

The February increase in book value of inventories held by manufacturers totaled \$410 million, or an annual rate of \$4.9 billion. This is a sharp decline from the \$12 billion annual rate of accumulation in the fourth quarter and, also, in January. Stocks of nondurable goods producers were little changed from January, the first pause in the rise for fifteen months. There was a further build-up of stocks by producers of iron and steel, and electrical and nonelectrical machinery, but the rate for the durable goods group as a whole was substantially less than in January. Nearly half of the total increase in stocks was in defense industries. Stocks of materials and supplies of all major industries declined in February in contrast to increases in each of the last eighteen months. In most durable goods lines further increases also were recorded for both work-in-process and finished goods.

Manufacturers' shipments declined 1 per cent further in February following a decline of 2.3 per cent now shown for January. Most major nondefense durable goods industries and foods and textiles declined in February, while shipments of defense products increased significantly. With inventories up and shipments down, the ratio of stocks to shipments rose sharply further in February and was about as high as during the 1960-1961 recession.

The preliminary February figures for new orders for durable goods manufacturers now show a rise of nearly 1 per cent. The total

for February is now estimated to be higher than indicated earlier while the January figure has been revised downward. New orders for defense were up very sharply in February about offsetting large declines in orders for machinery and consumer durable goods.

Unfilled orders declined in February in all major durable goods industries except aircraft and parts.

Corrections:

Page I -- T - 1. Consumer price index, latest period, 144.8 should be 114.8.

Page I -- T - 2. Annual rate of change in demand deposits and currency for 1 year should be 1.4 per cent.

Page III - 3, line 2. March 7 should read March 27.

Page III - 13, second paragraph, line 6. "Changing" should read "clearing."