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SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
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SUPPLEMENTAL NOTES

The Domestic Nonfinancial Economy

Wholesale prices. The wholesale price index was virtually unchanged, seasonally adjusted, from December to January as a rise for industrial commodities offset a decline for farm and food products.

WHOLESALE PRICES
(Per cent changes at annual rates; based on seasonally adjusted data)^{1/}

	Relative impor- tance Dec. 75	Dec. 73 to Dec. 74	Dec. 74 to Dec. 75	Dec. 74 to June 75	June 75 to Dec. 75	Dec. 75 to Jan. 76
All commodities	100.0	20.9	4.2	.3	8.3	- .2
Farm and food products	22.8	11.0	-0.3	-8.0	3.1	-21.9
Industrial commodities	77.2	25.6	6.0	3.4	8.7	4.5
Materials, crude and intermediate ^{2/}	48.3	28.2	5.3	2.1	8.6	3.6
Finished goods						
Consumer nonfoods	18.6	20.5	6.7	3.9	9.6	3.8
Producer goods	11.8	22.6	8.2	8.4	7.9	9.3
Memo:						
Consumer foods	11.1	13.0	5.5	3.8	7.2	-26.4

^{1/} Not compounded for one-month changes.

^{2/} FR estimate.

Industrial commodities rose 0.4 per cent, seasonally adjusted, with increases widespread. Higher prices for machinery and equipment, lumber and wood products, transportation equipment, metals and metal products, and chemicals and allied products accounted for most of the rise. A decline for fuels and related products and power was partially offsetting.

The index of farm and food products fell 1.8 per cent, seasonally adjusted, owing largely to declines for livestock, meats, and fresh vegetables.

Inventories. Book value of retail trade inventories fell at a \$9.1 billion annual rate in December, slightly slower than the \$9.6 billion November rate of decrease and averaging to a \$.1 billion rate of increase in the fourth quarter. This compares to an increase of \$8.8 billion in third quarter at an annual rate. The retail trade inventory-sales ratio fell to 1.41, the lowest level since March 1966, while the nondurable ratio was at its lowest point since October of 1947.

For manufacturing and trade the rate of inventory runoff was \$6.3 billion in December, slower than the \$9.6 billion November rate of runoff, averaging only a \$1.8 billion rate of accumulation in the fourth quarter compared with the \$5.4 billion third quarter rate of growth. The manufacturing and trade inventory-sales ratio fell to 1.51 in December from 1.53 in November.

Merchant builder sales of new single-family homes, which had increased sharply in November, edged down 3 per cent in December to a seasonally adjusted annual rate of 640,000 units. For the fourth quarter as a whole, sales averaged 12 per cent above the third quarter and more than 50 per cent above the recent trough in the fourth quarter of 1974. The strength in the fourth quarter home sales rate may have reflected, in part, the nearness of the year-end expiration date for the 5 per cent tax credit enacted late last March.

The stock of unsold single-family homes was unchanged between the end of November and the end of 1975. At 379,000 units, it represented about 7 months' supply at the December sales rate.

Existing home sales reached a new high in December of 131 (1972=100), 6 per cent above a month earlier. The fourth quarter average was 13 per cent above the average in preceding quarter and 35 per cent above the low a year earlier.

HOME SALES

	New Home Sales and Stocks			Sales Indexes of Unit Vol.		Median Prices of Homes Sold	
	Homes sold <u>1/</u> (thousands of units)	Homes for sale <u>2/</u> (thousands of units)	Months' supply	New homes <u>3/</u> (1972=100, sea. adjusted)	Existing homes (1972=100, sea. adjusted)	New homes (thou. of \$)	Existing homes (thou. of \$)
<u>1974</u>							
QI	523	452	10.4	73	106	35.2	30.9
QII	550	436	9.5	77	105	35.6	32.2
QIII	490	414	10.1	68	99	36.2	32.8
QIV	417	400	11.5	58	93	37.3	32.2
<u>1975</u>							
QI	425	396	11.2	59	95	38.1	33.8
QII	571	378	7.9	80	108	39.0	35.4
QIII (r)	566	383	8.1	79	112	38.8	36.1
QIV (p)	635	379	7.2	88	126	41.3	35.6
Oct. (r)	596	388	7.8	83	122	40.7	35.4
Nov. (r)	664	379	6.9	92	124	41.1	35.7
Dec. (p)	645	379	7.1	89	131	42.4	35.8

1/ Seasonally adjusted annual rate.

2/ Seasonally adjusted, end of period.

3/ Converted to 1972 index for comparison with existing home sales, which are not available on any other basis.

The Domestic Financial Economy

Mortgage market. According to the HUD (FHA) opinion survey, average interest rates on new commitments for conventional new- and existing-home mortgages declined during January by 10 basis points. Yields on FHA-insured new-home mortgages for immediate delivery in the private secondary market fell by 26 basis points to 9.06 per cent. These rate movements are generally consistent with the primary and secondary market yields cited in the Greenbook.

AVERAGE RATES AND YIELDS ON NEW-HOME MORTGAGES
(HUD-FHA Field Office Opinion Survey)

End of Month	Primary market		Secondary market 1/		
	Conventional loans		FHA-insured loans		Discounts (points)
	Level 2/ (per cent)	Spread 4/ (basis points)	Level 3/ (per cent)	Spread 4/ (basis points)	
1975-Low	8.90 (March)	-70 (March)	8.69 (March)	-91 (March)	2.4 (Dec.)
High	9.25 (Sept., Oct.)	15 (Jan.)	9.74 (Sept.)	31 (Oct.)	6.2 (Aug.)
July	9.00	-25	9.13	-12	4.8
Aug.	9.15	-34	9.32	-17	6.2
Sept.	9.25	-45	9.74	+ 4	5.5
Oct.	9.25	+30	9.53	+31	4.0
Nov.	9.20	--	9.41	--	3.1
Dec.	9.15	--	9.32	--	2.4
1976-Jan.	9.05	39	9.06	40	2.4

- 1/ Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates on FHA-insured loans.
- 2/ Average contract rates (excluding fees or points) on commitments for conventional first mortgage loans, rounded to the nearest 5 basis points.
- 3/ Average gross yield (before deducting servicing costs) to investors on 30-year minimum-downpayment FHA-insured first mortgages for immediate delivery in the private secondary market (excluding FNMA), assuming prepayment in 15 years.
- 4/ Average gross mortgage rate or yield minus average yield on new issues of Aaa utility bonds in the last week of the month. (There were no issues of Aaa bonds during the last week of November and December.)

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

	1975		1976	
	Highs	Lows	Jan. 19	Feb. 4
<u>Short-Term Rates</u>				
Federal funds (wkly. avg.)	7.70(1/8)	5.13(5/21)	4.76(1/14)	4.73
3-month				
Treasury bills (bid)	6.90(1/2)	4.98(6/16)	4.79	4.83
Comm. paper (90-119 day)	9.00(1/2)	5.38(6/2)	5.13	5.13
Bankers' acceptances	9.00(1/1)	5.40(5/30)	5.05	5.00
Euro-dollars	10.25(1/3)	5.69(5/21)	5.44	5.50
CD's (NYC) 90-119 day				
Most often quoted new	9.00(1/1)	5.38(6/11)	5.00(1/14)	5.13
6-month				
Treasury bills (bid)	7.05(8/25)	5.13(6/11)	5.07	5.12
Comm. paper (4-6 mo.)	8.75(1/2)	5.38(5/23)	5.25	5.25
Federal agencies	7.67(1/2)	5.68(6/12)	5.47	5.35(2/5)
CD's (NYC) 180-269 day				
Most often quoted new	8.38(1/1)	5.75(6/18)	5.38(1/14)	5.50
1-year				
Treasury bills (bid)	7.35(8/21)	5.37(2/5)	5.37	5.46
Federal agencies	8.00(8/25)	6.03(2/20)	6.10	6.02(2/5)
CD's (NYC)				
Most often quoted new	8.00(1/1)	6.00(3/12)	6.25(1/14)	6.00
Prime municipals	4.35(8/15)	3.40(2/7)	3.20(1/16)	3.05(2/6)
<u>Intermediate and Long-Term</u>				
Treasury coupon issues				
5-years	8.56(9/16)	6.93(2/19)	7.46	7.50
20-years	8.71(9/16)	7.58(2/21)	8.00	8.10
Corporate				
Seasoned Aaa	9.02(4/30)	8.57(2/26)	8.60	8.57
Baa	10.63(1/20)	10.27(4/3)	10.22	10.12
New Issue Aaa Utility	9.80(4/3)	8.89(2/6)	8.64(1/16)	8.63(2/4)
Municipal				
Bond Buyer Index	7.67(10/2)	6.27(2/13)	7.09(1/14)	6.95
Mortgage--average yield in				
FIMA auction	9.95(10/6)	8.78(3/10)	9.13(1/14)	9.07(2/9)

ERRATAS:

Part I: GNP tables, pp. I - 9 to I - 12

	GNP Final Purchases		
	Total Final purchases	Private	
		Total Private	Excluding Net Exports
p. I-9 <u>LEVELS</u>		(Bill \$, SAAR)	
1976 - I	1,610.3	1,260.7	1,242.2
II	1,651.9	1,295.1	1,277.8
III	1,694.5	1,330.1	1,314.3
IV	1,738.5	1,364.4	1,349.7
1977 - I	1,781.3	1,400.0	1,387.4
II	1,824.6	1,436.9	1,426.4
p. I-10 <u>CHANGES</u>		(Bill \$, SAAR)	
1976 - I	36.9	31.1	35.0
		(Per cent at Annual Rate)	
1976 - I	9.7	10.5	
II		11.5	
III		11.1	
IV		10.7	
1977 - I		10.9	
p. I-11 <u>LEVELS</u>			
1976	1,673.8	1,312.6	1,296.0
p. I-12 <u>CHANGES</u>		(Bill \$)	
1976	160.6	130.3	135.2
		(Per cent)	
1976	10.6	11.0	

Part II:

PII-5, lower table; footnote should read: "NOTE: Real wage and salary disbursements and real personal income are published data deflated by the consumer price index. Reference months are specific highs and lows for deflated wage and salary component."

pII-10, lower table; second line of title should read: "(Seasonally adjusted, measured in millions of square feet)".

pII-12, lower table; second line of title should read: "(Seasonally adjusted monthly averages, billions of dollars)".