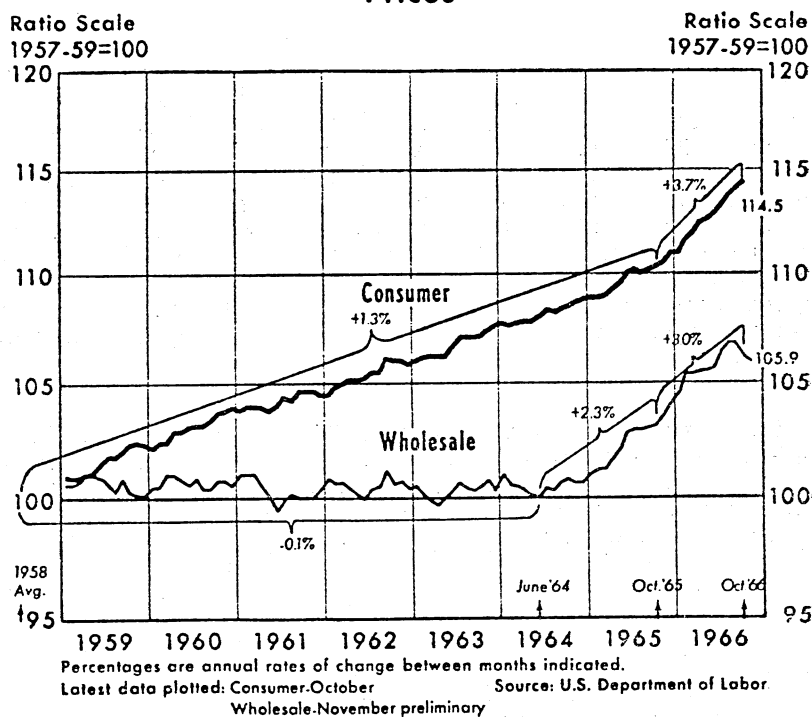


Prices of most consumer items rose. Food prices went up at a sharp 5.4-percent rate in the first 10 months of 1966. Fees and charges for consumer services (excluding rent) also increased at a 5.4-percent rate. Rent and prices of nondurable goods other than food increased less rapidly. Prices of durable goods crept up slightly.

Wholesale quotations rose 3 percent from the fall of 1965 to the fall of 1966. By comparison, these prices increased at a 2.3-percent annual rate from mid-1964 to the fall of 1965 after being stable from 1958 to mid-1964. Wholesale prices of farm products and processed foods rose about 5 percent from the fall of 1965 to the fall of 1966, reflecting limitations of production, exhaustion of stocks, large demands for shipment abroad, and high personal incomes. Industrial prices rose 2.3 percent.

Prices



CREDIT AND INTEREST RATES

Accompanying the strong demand for goods and services, a substantial volume of credit was extended in 1966. With incomes high and rising during 1965 and 1966, the amount of private savings was large, and monetary expansion was very rapid during much of this period. The demand for funds was even stronger in response to optimistic business expectations and requirements of governments. The demand for credit apparently decreased somewhat after early September, and the flow of funds contracted.

Commercial bank credit rose at a 10-percent annual rate from November 1964 to August 1966 compared with an 8-percent rate in