The odds are that economic activity will pick up as we move into summer and fall, creating a later strain on the mortgage markets.

A third possibility is that what we are undergoing is a short-term phenomenon--a "digestive" period. After the current scramble for money subsides, we may again see relaxation in the money markets, and increased demand for mortgages through 1967. But, again, rates will be firmer.

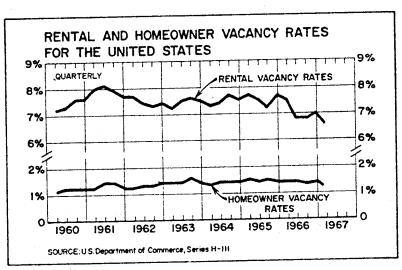
HOUSING

Housing starts in the first four months of 1967 were off 22% from the same period of a year ago Most of the decline was in the multi-family sector where activity was down 32%. Starts totaled 112,800 units during the period, down from 165,000 a year ago.

HOUSING STARTS, MONTHLY DATA*
(In Millions of Units)

	Seasonally Adjusted Annual Rate			Monthly Actual Starts		
Month	1966	1967	%	1966	1967	%
January	1,611	1,297	-20%	86.4	65.1	-25%
February	1,374	1,163	-15%	78.2	64.1	-18%
March	1,569	1,161	-26%	126.3	95.0	-25%
April	1,502	1,171	-22%	147.1	114.3	-22%
May	1,318			135.4		
June	1,285			127.5		
July	1,088			104.0		
August	1,107			105.4		
September	1,075			92.4		
October	848			80.3		
November	1,012			75.3		
December	1,089			63.6		

*Private including Farm.



Single family starts totaled 225,700 units as compared to 270,000 during the first four months of 1966, a decline of 17%. April to April comparisons showed a similar rate of decline.

April building permits in the multi-family sector were off 22% from April, 1966, single family permits off 11%. But total permits rose to 1,003,000 units, highest rate in almost a year.

In the meantime, vacancy rates continue to drop (Chart). Data for the first quarter of 1967 indicates the rental vacancy rate to be 6.6% of inventory, down from 7.0% in the fourth quarter and 7.5% in the first quarter of 1966. This is the lowest level since the Bureau of the Census has been measuring the inventory. The homeowners vacancy rate continues low at 1.3% of the inventory; during the first quarter of 1966 it was 1.4%. (See Chart.)

The key determinant in the housing sector, therefore, will be the availability of money if the industry is to move up toward normal and basically-needed levels of production.