

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

June 12, 1974

**By the Staff
Board of Governors
of the Federal Reserve System**

STAFF GNP PROJECTIONS

	<u>Per cent change annual rate</u>									
	<u>Changes in nominal GNP \$ billion</u>		<u>Gross private product fixed weighted price index</u>						<u>Unemployment rate</u>	
			<u>Real GNP</u>							
<u>5/15/74</u>	<u>6/12/74</u>	<u>5/15/74</u>	<u>6/12/74</u>	<u>5/15/74</u>	<u>6/12/74</u>	<u>5/15/74</u>	<u>6/12/74</u>			
1971 <u>1/</u>	78.3	78.3	3.2	3.2	4.6	4.6	5.9	5.9		
1972 <u>1/</u>	99.7	99.7	6.1	6.1	3.2	3.2	5.6	5.6		
1973 <u>1/</u>	133.9	133.9	5.9	5.9	6.1	6.1	4.9	4.9		
1974	108.8	107.2	- .2	- .6	9.2	9.6	5.4	5.5		
1973: I <u>1/</u>	43.3	43.3	8.7	8.7	7.0	7.0	5.0	5.0		
II <u>1/</u>	29.5	29.5	2.4	2.4	7.9	7.9	4.9	4.9		
III <u>1/</u>	32.5	32.5	3.4	3.4	7.0	7.0	4.7	4.7		
IV <u>1/</u>	33.0	33.0	1.6	1.6	8.6	8.6	4.7	4.7		
1974: I <u>1/</u>	14.3	14.3	-5.8	-5.8	12.5	12.5	5.2	5.2		
II	28.2	27.8	- .4	- .5	9.3	9.4	5.2	5.2		
III	32.0	29.5	2.4	1.3	7.0	7.6	5.5	5.6		
IV	36.0	33.9	3.0	2.2	6.7	7.1	5.7	5.9		
1975: I	30.0	27.4	2.3	1.6	5.8	6.0	5.9	6.1		
II	27.0	25.0	2.2	1.6	5.2	5.3	6.1	6.3		
Change: 72-IV to 73-IV	138.3	138.3	4.0	4.0	7.8	7.8	- .6	- .6		
73-IV to 74-IV	110.5	105.9	- .2	- .9	8.8	9.4	1.0	1.2		
74-II to 75-II	125.0	115.8	2.5	1.7	6.2	6.5	.9	1.1		

1/ Actual.

June 12, 1974

GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Quarterly figures are seasonally adjusted. Expenditures and income
figures are billions of dollars, with quarter figures at annual rates.)

	1973	1974 Proj.	1973				1974
			I	II	III	IV	I
Gross National Product	1289.1	1396.3	1242.5	1272.0	1304.5	1337.5	1352.2
Final purchases	1281.1	1388.1	1237.8	1267.5	1299.8	1319.4	1346.7
Private	1004.0	1078.3	969.2	992.2	1020.8	1033.8	1048.9
Excluding net exports	998.2	1075.8	969.2	989.4	1013.2	1021.0	1038.0
Personal consumption expenditures	804.0	875.7	779.4	795.6	816.0	825.2	844.6
Durable goods	130.8	131.9	132.2	132.8	132.8	125.6	125.0
Nondurable goods	335.9	374.6	322.2	330.3	341.6	349.6	362.3
Services	337.3	369.2	325.0	332.6	341.6	350.0	357.3
Gross private domestic investment	202.1	208.4	194.5	198.2	202.0	213.9	198.9
Residential construction	58.0	49.9	59.0	59.6	59.2	54.0	49.3
Business fixed investment	136.2	150.3	130.9	134.1	138.0	141.8	144.1
Change in business inventories	8.0	8.2	4.6	4.5	4.7	18.0	5.5
Nonfarm	7.3	7.9	4.4	4.4	3.2	17.3	5.0
Net exports of goods and services ^{1/}	5.8 ^{2/}	2.5	.0	2.8	7.6	12.8 ^{2/}	10.9 ^{2/}
Exports	102.0 ^{2/}	137.6	89.7	97.2	104.5	116.4 ^{2/}	130.4 ^{2/}
Imports	96.2	135.0	89.7	94.4	97.0	103.6	119.4
Gov't. purchases of goods and services	277.1	309.8	268.6	275.3	279.0	285.6	297.8
Federal	106.6	115.8	105.5	107.3	106.8	106.8	112.1
Defense	73.9	79.0	74.3	74.2	74.2	73.0	76.3
Other	32.7	36.8	31.2	33.1	32.7	33.8	35.8
State & local	170.5	194.0	163.0	168.0	172.2	178.8	185.7
Gross national product in constant (1958) dollars	837.4	832.7	829.3	834.3	841.3	844.6	831.0
GNP implicit deflator (1958 = 100)	153.9	167.7	149.8	152.5	155.1	158.4	162.7
Personal income	1035.4	1133.4	996.6	1019.0	1047.1	1078.9	1094.4
Wage and salary disbursements	691.5	748.9	666.7	682.6	699.3	717.2	726.2
Disposable income	882.5	963.3	851.5	869.7	891.1	917.8	931.4
Personal saving	54.8	61.0	50.0	51.0	51.1	67.1	61.5
Saving rate (per cent)	6.2	6.3	5.9	5.9	5.7	7.3	6.6
Corporate profits & inventory val. adj.	109.0	117.5	104.3	107.9	112.0	111.9	108.9
Corporate profits before tax	126.3	143.3	119.6	128.9	129.0	127.4	140.1
Federal government receipts and expenditures, (N.I.A. basis)							
Receipts	265.0	295.2	253.6	262.4	269.5	274.3	284.9
Expenditures	264.0	298.0	258.6	262.4	265.6	269.6	282.3
Surplus or deficit (-)	1.0	-2.8	-5.0	.0	4.0	4.7	2.6
High employment surplus or deficit (-)	-1.3	3.1	-2.4	-1.7	-2.1	1.1	2.2
State and local government surplus or deficit (-), (N.I.A. basis)	10.5	2.6	13.9	11.5	10.4	6.0	4.5
Total labor force (millions)	91.0	93.2	90.0	90.8	91.3	92.2	92.8
Armed forces "	2.3	2.3	2.4	2.3	2.3	2.3	2.3
Civilian labor force "	88.7	90.9	87.6	88.5	89.0	89.9	90.5
Unemployment rate (per cent)	4.9	5.5	5.0	4.9	4.7	4.7	5.2
Nonfarm payroll employment (millions)	75.6	77.0	74.6	75.3	75.7	76.6	76.7
Manufacturing	19.8	19.9	19.6	19.8	19.8	20.1	19.9
Industrial production (1967 = 100)	125.6	125.8	123.1	124.8	126.7	127.0	124.8
Capacity utilization, mfg. (per cent)	83.0	80.0	82.8	83.3	83.3	82.6	80.5
Major materials (per cent)	93.2	89.7	92.8	92.8	94.1	93.2	90.2
Housing starts, private (millions, A.R.)	2.04	1.66	2.39	2.21	2.01	1.58	1.62
Sales new autos (millions, A.R.)	11.44	9.19	12.23	11.73	11.74	10.09	9.04
Domestic models	9.67	7.87	10.27	9.87	10.11	8.44	7.49
Foreign models	1.77	1.32	1.96	1.86	1.63	1.65	1.55
^{1/} Net exports of g. & s. (Bal. of Paymts.)	6.9 ^{2/}	5.4 ^{2/}	.7	2.4	8.6	15.9 ^{2/}	13.7 ^{2/}
Exports	102.7 ^{2/}	137.7 ^{2/}	90.2	97.2	105.0	118.7 ^{2/}	130.5 ^{2/}
Imports	95.8	132.3	89.4	94.8	96.4	102.8	116.7

^{2/} Includes effects of shipments of military equipment and supplies to Israel; for 1973-IV these are now estimated at \$2.5 billion, annual rate, and considered as a sale, with \$2.4 billion coming from U.S. military stocks and thus reducing defense purchases by that amount; for 1974-I they are estimated at \$.5 billion, annual rate, all from defense stocks.

June 12, 1974

GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Quarterly figures are seasonally adjusted. Expenditures and income
figures are billions of dollars, with quarter figures at annual rates.)

	1974 Proj.	1974 Projection				1975	
		I	II	III	IV	I	II
Gross National Product	1396.3	1352.2	1380.0	1409.5	1443.4	1470.8	1495.8
Final purchases	1388.1	1346.7	1370.0	1400.7	1434.9	1462.6	1487.6
Private	1078.3	1048.9	1065.0	1087.6	1111.8	1131.3	1148.6
Excluding net exports	1075.8	1038.0	1063.2	1088.3	1113.8	1136.6	1156.1
Personal consumption expenditures	875.7	844.6	865.5	886.5	906.0	924.3	941.7
Durable goods	131.9	125.0	130.3	134.0	138.2	141.2	142.7
Nondurable goods	374.6	362.3	370.2	379.5	386.3	393.3	401.2
Services	369.2	357.3	365.0	373.0	381.5	389.8	397.8
Gross private domestic investment	208.4	198.9	207.7	210.6	216.2	220.5	222.6
Residential construction	49.9	49.3	49.4	49.5	51.4	52.5	51.4
Business fixed investment	150.3	144.1	148.3	152.3	156.3	159.8	163.0
Change in business inventories	8.2	5.5	10.0	8.8	8.5	8.2	8.2
Nonfarm	7.9	5.0	10.0	8.5	8.0	8.0	8.0
Net exports of goods and services ^{1/}	2.5 ^{2/}	10.9 ^{2/}	1.8	- .7	-2.0	-5.3	-7.5
Exports	137.6 ^{2/}	130.4 ^{2/}	138.0	139.8	142.0	142.4	143.7
Imports	135.0	119.4	136.2	140.5	144.0	147.7	151.2
Gov't. purchases of goods and services	309.8	297.8	305.0	313.1	323.1	331.3	339.0
Federal	115.8	112.1	113.9	116.1	121.0	123.4	125.8
Defense	79.0	76.3	77.8	79.0	82.9	84.6	86.1
Other	36.8	35.8	36.1	37.1	38.1	38.8	39.7
State & local	194.0	185.7	191.1	197.0	202.1	207.9	213.2
Gross national product in constant (1958) dollars	832.7	831.0	829.9	832.5	837.2	840.5	843.8
GNP implicit deflator (1958 = 100)	167.7	162.7	166.3	169.3	172.4	175.0	177.3
Personal income	1133.4	1094.4	1119.5	1147.3	1172.4	1197.4	1220.9
Wage and salary disbursements	748.9	726.2	740.2	757.5	771.6	788.2	802.8
Disposable income	963.3	931.4	952.5	974.6	994.6	1015.2	1034.4
Personal saving	61.0	61.5	60.7	61.0	60.6	62.0	63.0
Saving rate (per cent)	6.3	6.6	6.4	6.3	6.1	6.1	6.1
Corporate profits & inventory val. adj.	117.0	108.9	115.4	118.7	124.9	127.5	127.7
Corporate profits before tax	143.3	140.1	144.0	144.0	145.0	142.5	139.5
Federal government receipts and expenditures, (N.I.A. basis)							
Receipts	295.2	284.9	292.2	298.6	305.1	310.8	315.1
Expenditures	298.0	282.3	292.9	304.3	312.6	320.6	327.2
Surplus or deficit (-)	-2.8	2.6	- .7	-5.7	-7.5	-9.8	-12.1
High employment surplus or deficit (-)	3.1	2.2	1.6	1.6	6.8	12.3	16.4
State and local government surplus or deficit (-), (N.I.A. basis)	2.6	4.5	2.9	1.9	1.2	.0	-1.5
Total labor force (millions)	93.2	92.8	93.0	93.4	93.7	93.9	94.2
Armed forces "	2.3	2.3	2.3	2.3	2.3	2.2	2.2
Civilian labor force "	90.9	90.5	90.7	91.1	91.4	91.7	92.0
Unemployment rate (per cent)	5.5	5.2	5.2	5.6	5.9	6.1	6.3
Nonfarm payroll employment (millions)	77.0	76.7	77.1	77.1	77.1	77.2	77.3
Manufacturing	19.9	19.9	19.9	19.9	19.9	19.9	19.9
Industrial production (1967 = 100)	125.8	124.8	125.4	126.0	127.0	128.0	128.9
Capacity utilization, mfg. (per cent)	80.0	80.5	80.3	79.9	79.2	79.4	79.4
Major materials (per cent)	89.7	90.2	90.2	89.4	88.9	88.2	87.6
Housing starts, private (millions, A.R.)	1.66	1.62	1.60	1.70	1.70	1.60	1.50
Sales new autos (millions, A.R.)	9.19	9.04	9.07	9.25	9.40	9.50	9.50
Domestic models	7.87	7.49	7.84	8.00	8.15	8.25	8.25
Foreign models	1.32	1.55	1.23	1.25	1.25	1.25	1.25
^{1/} Net exports of g. & s. (Bal. of Paymts.)	5.4 ^{2/}	13.7 ^{2/}	4.6	2.1	.8	-2.5	-4.7
Exports	137.7 ^{2/}	130.5 ^{2/}	138.1	139.9	142.1	142.5	143.8
Imports	132.3	116.7	133.5	137.8	141.3	145.0	148.5

^{2/} Includes effects of shipments of military equipment and supplies to Israel; for 1974-I these are now estimated at \$.5 billion, annual rate, and considered as a sale, all from U.S. military stocks and thus reducing defense purchases by that amount.

June 12, 1974

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1973	1974 Proj.	1973				1974
			I	II	III	IV	I
-----Billions of Dollars-----							
Gross National Product	133.9	107.2	43.3	29.5	32.5	33.0	14.7
Inventory change	2.0	.2	-3.6	- .1	.2	13.3	-12.5
Final purchases	132.0	107.0	46.8	29.7	32.3	19.6	27.3
Private	121.9	74.3	38.9	23.0	28.6	13.0	15.1
Net exports	28.5	-3.3	3.5	2.8	4.8	5.2	-1.9
Excluding net exports	105.4	77.6	35.4	20.2	23.8	7.8	17.0
Personal consumption expenditures	77.5	71.7	26.8	16.2	20.4	9.2	19.4
Durable goods	13.4	1.1	9.3	.6	.0	-7.2	- .6
Nondurable goods	36.0	38.7	11.5	8.1	11.3	8.0	12.7
Services	28.1	31.9	6.0	7.6	9.0	8.4	7.3
Residential fixed investment	4.0	-8.1	2.1	.6	- .4	-5.2	-4.7
Business fixed investment	18.0	14.1	6.6	3.2	3.9	3.8	2.3
Government	22.1	32.7	7.9	6.7	3.7	6.6	12.2
Federal	2.2	9.2	2.8	1.8	- .5	.0	5.3
State and local	20.0	23.5	5.0	5.0	4.2	6.6	6.9
GNP in constant (1958) dollars	46.7	-4.7	17.0	5.0	7.0	3.3	-13.6
Final purchases	45.7	-4.2	20.0	5.0	7.3	-6.2	-4.6
Private	44.0	-6.1	19.1	4.2	7.5	-5.3	-8.0
-----Per Cent Per Year ^{1/} -----							
Gross National Product	11.6	8.3	15.2	9.9	10.6	10.5	4.5
Final purchases	11.5	8.4	16.7	9.9	10.6	6.2	8.5
Private	12.0	7.4	17.8	9.8	12.0	5.2	6.0
Personal consumption expenditures	10.7	8.9	15.0	8.6	10.7	4.6	9.7
Durable goods	11.4	.8	33.9	1.8	.0	-20.0	-1.9
Nondurable goods	12.0	11.5	15.6	10.4	14.4	9.7	15.3
Services	9.1	9.5	7.7	9.7	11.3	10.2	8.6
Gross private domestic investment	13.3	3.1	11.2	7.8	7.9	25.7	-25.2
Residential structures	7.4	-14.0	15.6	4.1	-2.7	-30.8	-30.5
Business fixed investment	15.2	10.4	23.0	10.1	12.2	11.5	6.6
Gov't. purchases of goods & services	8.7	11.8	12.7	10.4	5.5	9.8	18.2
Federal	2.1	8.6	11.4	7.0	-1.9	.0	21.4
Defense	- .7	6.9	10.9	- .5	.0	-6.3	19.3
Other	8.6	12.5	12.4	26.7	- 4.7	14.1	25.9
State and local	13.3	13.8	13.3	12.8	10.4	16.2	16.4
GNP in constant (1958) dollars	5.9	- .6	8.7	2.4	3.4	1.6	-6.3
Final purchases	5.8	- .5	10.3	2.4	3.6	-2.9	-2.2
Private	6.8	- .9	12.0	2.5	4.4	3.0 ^{2/}	-4.6 ^{2/}
GNP implicit deflator	5.4	8.9	6.1	7.3	7.0	8.8 ^{2/}	11.5 ^{2/}
Private GNP fixed weighted index ^{3/}	6.1	9.6	7.0	7.9	7.6	8.6	13.5
Personal income	10.2	9.5	8.7	9.3	11.5	12.7	5.9
Wage and salary disbursements	10.1	8.3	11.6	9.9	10.2	10.6	5.1
Disposable income	10.7	9.2	11.5	8.8	10.2	12.5	6.1
Corporate profits before tax	28.9	13.5	61.5	34.9	.3	-4.9	46.2
Federal government receipts and expenditures (N.I.A. basis)							
Receipts	15.9	11.4	31.3	14.6	11.3	7.8	16.4
Expenditures	7.9	12.9	-2.6	6.0	5.0	6.2	20.2
Nonfarm payroll employment	3.9	1.9	4.5	3.7	2.2	4.4	.8
Manufacturing	4.7	.5	5.4	4.7	1.2	4.5	-2.9
Industrial production	9.0	.2	10.0	5.6	6.2	1.0	-6.8
Housing starts, private	-13.4	-18.8	1.0	-27.0	-32.0	-61.3	10.3
Sales new autos	4.6	-19.7	4.6	-15.4	.2	-45.5	-35.3
Domestic models	3.7	-18.6	16.0	-14.9	10.1	-51.5	-38.0
Foreign models	9.8	-25.4	42.3	-18.1	-41.7	5.8	-19.8

^{1/} Percentage rates are annual rates compounded quarterly.^{2/} Excluding Federal pay increases rates of change are: 1973-IV, 8.2 per cent and 1974-I, 11.4 per cent.^{3/} Using expenditures in 1967 as weights.