

**CONFIDENTIAL (FR)**

**SUMMARY AND OUTLOOK**

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

**September 4, 1974**

## STAFF GNP PROJECTIONS

	Per Cent Change, annual rate							
	Changes in nominal GNP (\$ billion)		Real GNP		Gross private product fixed weighted price index		Unemployment Rate (Per cent)	
	8/14/74	9/4/74	8/14/74	9/4/74	8/14/74	9/4/74	8/14/74	9/4/74
1971 <u>1/</u>	77.8	77.8	3.3	3.3	4.3	4.3	5.9	5.9
1972 <u>1/</u>	103.1	103.1	6.2	6.2	3.3	3.3	5.6	5.6
1973 <u>1/</u>	136.9	136.9	5.9	5.9	6.3	6.3	4.9	4.9
1974	104.4	107.7	-1.4	-1.4	10.9	11.0	5.5	5.5
1975	99.1	103.8	- .8	- .8	8.0	8.3	6.9	6.9
1973: I <u>1/</u>	44.2	44.2	9.5	9.5	7.4	7.4	5.0	5.0
II <u>1/</u>	29.0	29.0	2.2	2.2	8.1	8.1	4.9	4.9
III <u>1/</u>	31.0	31.0	1.6	1.6	8.4	8.4	4.7	4.7
IV <u>1/</u>	35.1	35.1	2.3	2.3	9.1	2.3	4.7	4.7
1974: I <u>1/</u>	14.8	14.8	-7.0	-7.0	14.1	14.1	5.2	5.2
II <u>1/</u>	24.7	28.5	-1.2	- .8	12.3	12.3	5.1	5.1
III	31.0	32.5	- .4	- .7	10.1	10.9	5.5	5.5
IV	26.0	24.5	-1.2	-1.7	8.5	9.1	6.0	6.0
1975: I	20.0	22.0	-1.6	-2.0	7.4	7.8	6.4	6.5
II	21.5	23.5	-1.0	- .6	7.1	7.1	6.7	6.8
III	25.0	28.0	.2	1.0	6.7	6.7	7.1	7.1
IV	33.0	34.0	1.7	1.8	6.6	6.7	7.4	7.3
Change: 72-IV to 73-IV	139.3	139.3	3.9	3.9	8.3	8.3	-.6	-.6
73-IV to 74-IV	96.5	100.3	-2.5	-2.6	11.2	11.6	1.3	1.3
74-II to 75-II	98.5	102.5	-1.1	-1.3	8.3	8.7	1.6	1.7
74-IV to 75-IV	99.5	107.5	- .2	.0	6.9	7.1	1.4	1.3

1/ Actual.

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			
			III	IV	I	II	Projected	
							III	IV
Gross National Product	1294.9	1402.6	1308.9	1344.0	1358.8	1387.3	1419.8	1444.3
Final purchases	1279.6	1389.5	1297.0	1315.1	1341.9	1373.8	1408.8	1433.3
Private	1003.2	1082.2	1020.1	1028.7	1045.6	1069.4	1097.5	1116.1
Excluding net exports	999.3	1079.1	1013.4	1019.4	1034.3	1067.4	1096.9	1117.6
Personal consumption expenditures	805.2	878.6	816.3	823.9	840.6	869.1	894.0	910.7
Durable goods	130.3	130.5	132.4	124.3	123.9	129.5	134.5	134.0
Nondurable goods	338.0	380.5	343.8	352.1	364.4	375.8	386.7	395.2
Services	336.9	367.6	340.1	347.4	352.4	363.8	372.8	381.5
Gross private domestic investment	209.4	213.5	209.0	224.5	210.5	211.8	213.9	217.9
Residential construction	57.2	47.8	58.1	53.6	48.4	48.8	47.7	46.1
Business fixed investment	136.8	152.7	139.0	141.9	145.2	149.4	155.2	160.8
Change in business inventories	15.4	13.1	11.8	28.9	16.9	13.5	11.0	11.0
Nonfarm	11.4	11.0	7.4	24.0	13.1	10.4	10.0	10.5
Net exports of goods and services <sup>1/</sup>	3.9	3.1	6.7	9.3	11.3	2.0	.6	-1.5
Exports	100.4	141.0	103.7	113.6	131.2	141.0	144.6	147.1
Imports	96.4	137.9	96.9	104.3	119.9	139.0	144.0	148.6
Gov't. purchases of goods and services	276.4	307.3	276.9	286.4	296.3	304.4	311.3	317.2
Federal	106.6	114.5	105.3	108.4	111.5	114.3	115.6	116.4
Defense	74.4	77.1	73.3	75.3	75.8	76.6	77.5	78.5
Other	32.2	37.4	32.0	33.1	35.7	37.7	38.1	37.9
State and local	169.8	192.9	171.6	177.9	184.8	190.1	195.7	200.8
Gross national product in constant (1958) dollars	839.2	827.6	840.8	845.7	830.5	828.8	827.3	823.8
GNP implicit deflator (1958 = 100)	154.3	169.5	155.7	158.9	163.6	167.4	171.6	175.3
Personal income	1055.0	1149.0	1068.0	1099.3	1112.5	1134.6	1164.8	1183.9
Wage and salary disbursements	691.7	752.1	698.2	717.0	727.6	745.2	762.8	772.7
Disposable income	903.7	978.8	913.9	939.4	950.6	966.5	991.3	1006.6
Personal saving	74.4	74.1	73.2	89.3	84.4	71.5	71.1	69.4
Saving rate (per cent)	8.2	7.6	8.0	9.5	8.9	7.4	7.2	6.9
Corporate profits & inventory val. adj.	105.1	113.9	105.2	106.4	107.7	112.6	117.2	117.9
Corporate profits before tax	122.7	146.4	122.7	122.7	138.7	150.4	150.0	146.5
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	258.5	292.8	261.8	268.3	279.4	291.6	298.2	302.1
Expenditures	264.2	295.3	263.4	270.6	281.0	291.6	302.6	306.1
Surplus or deficit (-)	-5.6	-2.5	-1.7	-2.3	-1.5	.0	-4.4	-4.0
High employment surplus or deficit (-)	-6.6	-.5	-4.8	-4.2	-3.0	-3.5	-3.1	7.6
State and local government surplus or deficit (-), (N.I.A. basis)	9.2	2.1	8.4	4.6	3.4	2.4	2.1	.4
Total labor force (millions)	91.0	93.2	91.3	92.2	92.8	92.9	93.4	93.7
Armed forces "	2.3	2.2	2.3	2.3	2.3	2.2	2.2	2.2
Civilian labor force "	88.7	91.0	89.0	89.9	90.5	90.6	91.2	91.5
Unemployment rate (per cent)	4.9	5.5	4.7	4.7	5.2	5.1	5.5	6.0
Nonfarm payroll employment (millions)	75.6	76.9	75.7	76.6	76.7	77.1	77.0	76.8
Manufacturing	19.8	19.8	19.8	20.1	19.9	19.9	19.8	19.6
Industrial production (1967 = 100)	125.6	125.1	126.7	127.0	124.9	125.4	125.3	124.6
Capacity utilization, mfg. (per cent)	83.0	79.4	83.3	82.6	80.5	80.1	79.2	78.0
Major materials (per cent)	93.0	88.8	93.5	92.3	90.2	90.0	88.5	86.5
Housing starts, private (millions, A.R.)	2.05	1.49	2.01	1.58	1.63	1.56	1.40	1.37
Sales new autos (millions, A.R.)	11.44	9.50	11.33	10.15	9.04	9.20	10.25	9.50
Domestic models	9.67	8.17	9.66	8.51	7.49	7.95	9.00	8.25
Foreign models	1.77	1.33	1.67	1.64	1.55	1.25	1.25	1.25
<sup>1/</sup> Net exports of g. & s. (Bal. of Paymts.)	4.4 <sup>2/</sup>	2.0 <sup>2/</sup>	6.6	11.2 <sup>2/</sup>	10.9 <sup>2/</sup>	.7	-.7	2.8
Exports	101.0 <sup>2/</sup>	140.8 <sup>2/</sup>	103.7	116.0 <sup>2/</sup>	131.5 <sup>2/</sup>	140.6	144.2	146.7
Imports	96.6	138.8	97.1	104.8	120.6	139.9	144.9	149.5

<sup>2/</sup> Includes shipments of military equipment and supplies to Israel not included in GNP figures; for 1973-IV these are \$2.4 billion and for 1974-I, \$3 billion.

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.	1975 Proj.	1974		1975			
			III	IV	Projected		III	IV
Gross National Product	1402.6	1506.4	1419.8	1444.3	1466.3	1489.8	1517.8	1551.8
Final purchases	1389.5	1500.7	1408.8	1433.3	1459.3	1483.8	1512.8	1546.8
Private	1082.2	1163.7	1097.5	1116.1	1134.3	1151.9	1172.4	1196.2
Excluding net exports	1079.1	1167.0	1096.9	1117.6	1136.5	1154.5	1176.1	1201.0
Personal consumption expenditures	878.6	953.8	894.0	910.7	926.9	943.7	962.1	982.3
Durable goods	130.5	134.2	134.5	134.0	133.0	132.2	133.7	137.7
Nondurable goods	380.5	416.6	386.7	395.2	403.5	412.5	421.1	429.3
Services	367.6	403.0	372.8	381.5	390.4	399.0	407.3	415.3
Gross private domestic investment	213.5	219.0	213.9	217.9	216.6	216.8	219.0	223.7
Residential construction	47.8	43.6	47.7	46.1	44.9	42.6	42.8	44.2
Business fixed investment	152.7	169.7	155.2	160.8	164.7	168.2	171.2	174.5
Change in business inventories	13.1	5.8	11.0	11.0	7.0	6.0	5.0	5.0
Nonfarm	11.0	6.0	10.0	10.5	7.5	6.5	5.0	5.0
Net exports of goods and services <sup>1/</sup>	3.1	-3.4	.6	-1.5	-2.2	-2.6	-3.7	-4.9
Exports	141.0	154.2	144.6	147.1	149.9	152.2	155.6	159.1
Imports	137.9	157.6	144.0	148.6	152.1	154.8	159.3	164.0
Gov't. purchases of goods and services	307.3	337.0	311.3	317.2	325.0	331.9	340.4	350.7
Federal	114.5	123.4	115.6	116.4	119.5	121.5	124.1	128.6
Defense	77.1	83.5	77.5	78.5	80.7	82.0	83.8	87.3
Other	37.4	40.0	38.1	37.9	38.8	39.5	40.3	41.3
State & local	192.9	213.6	195.7	200.8	205.5	210.4	216.3	222.1
Gross national product in constant (1958) dollars	827.6	820.6	827.3	823.8	819.7	818.4	820.3	823.9
GNP implicit deflator (1958 = 100)	169.5	183.6	171.6	175.3	178.9	182.0	185.0	188.3
Personal income	1149.0	1245.2	1164.8	1183.9	1207.4	1231.7	1258.4	1283.2
Wage and salary disbursements	752.1	814.2	762.8	772.7	789.2	806.0	821.8	839.9
Disposable income	978.8	1057.2	991.3	1006.6	1025.9	1045.9	1068.4	1088.7
Personal saving	74.1	76.3	71.1	69.4	72.2	75.1	79.0	78.8
Saving rate (per cent)	7.6	7.2	7.2	6.9	7.0	7.2	7.4	7.2
Corporate profits & inventory val. adj.	113.9	112.8	117.2	117.9	112.0	109.9	111.9	117.2
Corporate profits before tax	146.4	132.3	150.0	146.5	135.5	130.0	130.0	133.5
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	292.8	312.8	298.2	302.1	306.3	309.4	314.5	321.2
Expenditures	295.3	327.4	302.6	306.1	314.2	321.4	332.9	341.1
Surplus or deficit (-)	-2.5	-14.6	-4.4	-4.0	-7.9	-12.0	-18.4	-19.9
High employment surplus or deficit (-)	- .5	17.8	-3.1	7.6	12.9	19.0	18.2	21.0
State and local government surplus or deficit (-), (N.I.A. basis)	2.1	-2.5	2.1	.4	-1.3	-2.3	-2.7	-3.6
Total labor force (millions)	93.2	94.2	93.4	93.7	93.9	94.1	94.3	94.5
Armed forces "	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Civilian labor force "	91.0	92.0	91.2	91.5	91.7	91.9	92.1	92.3
Unemployment rate (per cent)	5.5	6.9	5.5	6.0	6.5	6.8	7.1	7.3
Nonfarm payroll employment (millions)	76.9	76.5	77.0	76.8	76.6	76.5	76.4	76.5
Manufacturing	19.8	19.1	19.8	19.6	19.4	19.2	18.9	18.9
Industrial production (1967 = 100)	125.1	123.9	125.3	124.6	123.8	123.6	123.8	124.6
Capacity utilization, mfg. (per cent)	79.4	75.9	79.2	78.0	76.8	76.0	75.5	75.3
Major materials (per cent)	88.8	83.3	88.5	86.5	84.4	83.6	83.0	82.4
Housing starts, private (millions, A.R.)	1.49	1.29	1.40	1.37	1.30	1.25	1.25	1.35
Sales new autos (millions, A.R.)	9.50	8.91	10.25	9.50	9.00	8.75	8.75	9.15
Domestic models	8.17	7.66	9.00	8.25	7.75	7.50	7.50	7.90
Foreign models	1.33	1.25	1.25	1.25	1.25	1.25	1.25	1.25
<sup>1/</sup> Net exports of g. & s. (Bal. of Paymts.)	2.0	-4.7	- .7	-2.8	-3.5	-3.9	-5.0	-6.2
Exports	140.8	153.8	144.2	146.7	149.5	151.8	155.2	158.7
Imports	138.8	158.5	144.9	149.5	153.0	155.7	160.2	164.9

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1973	1974 Proj.	1973		1974			
			III	IV	I	II	Projected	
							III	IV
-----Billions of Dollars-----								
Gross National Product	136.9	107.7	31.0	35.1	14.8	28.5	32.5	24.5
Inventory change	6.9	-2.3	1.1	17.1	-12.0	-3.4	-2.5	.0
Final purchases	130.0	109.9	29.8	18.1	26.8	31.9	35.0	24.5
Private	109.3	79.0	26.2	8.6	16.9	23.8	28.1	18.6
Net exports	9.9	- .8	6.2	2.6	2.0	-9.3	-1.4	-2.1
Excluding net exports	99.4	79.8	20.0	6.0	14.9	33.1	29.5	20.7
Personal consumption expenditures	76.2	73.4	17.3	7.6	16.7	28.5	24.9	16.7
Durable goods	11.9	.2	.3	-8.1	- .4	5.6	5.0	- .5
Nondurable goods	38.0	42.5	11.1	8.3	12.3	11.4	10.9	8.5
Services	26.0	30.7	5.9	7.3	5.0	11.4	9.0	8.7
Residential fixed investment	3.2	-9.4	- .6	-4.5	-5.2	.4	-1.1	-1.6
Business fixed investment	20.0	15.9	3.4	2.9	3.3	4.2	5.8	5.6
Government	20.7	30.9	3.6	9.5	9.9	8.1	6.9	5.9
Federal	1.7	7.9	- .9	3.1	3.1	2.8	1.3	.8
State and local	19.0	23.1	4.5	6.3	6.9	5.3	5.6	5.1
GNP in constant (1958) dollars	46.7	-11.6	3.4	4.9	-15.2	-1.7	-1.5	-3.5
Final purchases	43.0	-8.9	3.1	-7.0	-5.8	.7	- .1	-3.4
Private	45.2	-10.4	3.3	-9.0	-6.1	.9	- .3	-3.3
-----Per Cent Per Year <sup>1/</sup> -----								
Gross National Product	11.8	8.3	10.1	11.2	4.5	8.7	9.7	7.1
Final purchases	11.3	8.6	9.7	5.7	8.4	9.9	10.6	7.1
Private	12.2	7.9	11.0	3.4	6.7	9.4	10.9	7.0
Personal consumption expenditures	10.5	9.1	8.9	3.8	8.4	14.3	12.0	7.7
Durable goods	10.1	.2	.9	-22.3	-1.3	19.3	16.4	-1.5
Nondurable goods	12.8	12.6	14.0	10.0	14.7	13.1	12.1	9.1
Services	8.4	9.1	7.3	8.9	5.9	13.6	10.3	9.7
Gross private domestic investment	16.8	2.0	7.8	33.1	-22.7	2.5	4.0	7.7
Residential structures	5.9	-16.4	-4.0	-27.6	-33.5	3.3	-8.7	-12.8
Business fixed investment	17.1	11.6	10.4	8.6	9.6	12.1	16.5	15.2
Gov't. purchases of goods & services	8.1	11.2	5.4	14.4	14.6	11.4	9.4	7.8
Federal	1.6	7.4	-3.3	12.3	11.9	10.4	4.6	2.8
Defense	- .5	3.6	-3.7	11.4	2.7	4.3	4.8	5.3
Other	7.0	16.1	-2.5	14.5	35.3	24.4	4.3	-2.1
State and local	12.6	13.6	11.2	15.5	16.4	12.0	12.3	10.8
GNP in constant (1958) dollars	5.9	-1.4	1.6	2.3	-7.0	- .8	- .7	-1.7
Final purchases	5.5	-1.1	1.5	-3.3	-2.8	.3	- .1	-1.7
Private	6.5	-1.5	1.9	-5.1 <sup>2/</sup>	-3.5 <sup>2/</sup>	.5	- .2	-2.0
GNP implicit deflator	5.6	9.8	8.3	8.6 <sup>2/</sup>	12.3 <sup>2/</sup>	9.6	10.5	8.9
Private GNP fixed weighted index <sup>3/</sup>	6.3	11.0	8.4	9.1	14.1	12.3	10.9	9.1
Personal income	11.7	8.9	11.6	12.2	4.9	8.2	11.1	6.7
Wage and salary disbursements	10.3	8.7	8.7	11.2	6.0	10.0	9.8	5.3
Disposable income	12.6	8.3	10.1	11.6	4.9	6.9	10.7	6.3
Corporate profits before tax	23.7	19.3	-6.9	.0	63.3	38.3	-1.1	-9.0
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	13.8	13.3	11.1	10.3	17.6	18.6	9.4	5.3
Expenditures	8.0	11.8	1.5	11.4	16.3	16.0	16.0	4.7
Nonfarm payroll employment	3.9	1.8	2.2	4.4	.8	1.8	- .3	-1.0
Manufacturing	4.7	- .1	1.2	4.5	-2.9	.4	-2.7	-4.0
Industrial production	9.0	- .4	6.2	1.0	-6.5	1.6	- .3	-2.2
Housing starts, private	-13.2	-27.1	-32.0	-61.4	11.6	-15.0	-35.6	-8.3
Sales new autos	4.7	-17.0	-21.3	-35.5	-37.1	7.2	54.3	-26.2
Domestic models	3.7	-15.5	-18.6	-39.8	-40.0	27.1	64.2	-29.4
Foreign models	9.8	-24.9	-35.0	-5.9	-20.0	-58.2	1.0	.0

<sup>1/</sup> Percentage rates are annual rates compounded quarterly.<sup>2/</sup> Excluding Federal pay increases rates of change are: 1973-IV, 8.0 per cent; and 1974-I, 12.2 per cent.<sup>3/</sup> Using expenditures in 1967 as weights.

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1974 Proj.	1975 Proj.	1974		1975			
			III	IV	Projected		III	IV
			I	II				
-----Billions of Dollars-----								
Gross National Product	107.7	103.8	32.5	24.5	22.0	23.5	28.0	34.0
Inventory change	-2.3	-7.3	-2.5	.0	-4.0	-1.0	-1.0	.0
Final purchases	109.9	111.2	35.0	24.5	26.0	24.5	29.0	34.0
Private	79.0	81.5	28.1	18.6	18.2	17.6	20.5	23.8
Net exports	-.8	-6.5	-1.4	-2.1	-.7	-.4	-1.1	-1.2
Excluding net exports	79.8	87.9	29.5	20.7	18.9	18.0	21.6	24.9
Personal consumption expenditures	73.4	75.2	24.9	16.7	16.2	16.8	18.4	20.2
Durable goods	.2	3.7	5.0	-.5	-1.0	-.8	1.5	4.0
Nondurable goods	42.5	36.1	10.9	8.5	8.3	9.0	8.6	8.2
Services	30.7	35.4	9.0	8.7	8.9	8.6	8.3	8.0
Residential fixed investment	-9.4	-4.2	-1.1	-1.6	-1.2	-2.3	.2	1.4
Business fixed investment	15.9	17.0	5.8	5.6	3.9	3.5	3.0	3.3
Government	30.9	29.7	6.9	5.9	7.8	6.9	8.5	10.3
Federal	7.9	8.9	1.3	.8	3.1	2.0	2.6	4.5
State and local	23.1	20.7	5.6	5.1	4.7	4.9	5.9	5.8
GNP in constant (1958) dollars	-11.6	-7.0	-1.5	-3.5	-4.1	-1.3	1.9	3.6
Final purchases	-8.9	-3.1	-.1	-3.4	-1.6	-1.1	1.9	3.5
Private	-10.4	-4.1	-.3	-3.3	-1.7	-1.4	.8	2.6
-----Per Cent Per Year <sup>1/</sup> -----								
Gross National Product	8.3	7.4	9.7	7.1	6.2	6.6	7.7	9.3
Final purchases	8.6	8.0	10.6	7.1	7.5	6.9	8.0	9.3
Private	7.9	7.5	10.9	7.0	6.7	6.4	7.3	8.4
Personal consumption expenditures	9.1	8.6	12.0	7.7	7.3	7.4	8.0	8.7
Durable goods	.2	2.8	16.4	-1.5	-3.0	-2.4	4.6	12.5
Nondurable goods	12.6	9.5	12.1	9.1	8.7	9.2	8.6	8.0
Services	9.1	9.6	10.3	9.7	9.7	9.1	8.6	8.1
Gross private domestic investment	2.0	2.6	4.0	7.7	-2.4	.4	4.1	8.9
Residential structures	-16.4	-8.8	-8.7	-12.8	-10.0	-19.0	1.9	13.7
Business fixed investment	11.6	11.1	16.5	15.2	10.1	8.8	7.3	7.9
Gov't. purchases of goods & services	11.2	9.7	9.4	7.8	10.2	8.8	10.6	12.7
Federal	7.4	7.8	4.6	2.8	11.1	6.9	8.8	15.3
Defense	3.6	8.3	4.8	5.3	11.7	6.6	9.1	17.8
Other	16.1	7.0	4.3	-2.1	9.8	7.4	8.4	10.3
State and local	13.6	10.7	12.3	10.8	9.7	9.9	11.7	11.2
GNP in constant (1958) dollars	-1.4	-.8	-.7	-1.7	-2.0	-.6	1.0	1.8
Final purchases	-1.1	-.4	-.1	-1.7	-.8	-.5	.9	1.7
Private	-1.5	-.6	-.2	-2.0	-1.0 <sup>2/</sup>	-.8 <sup>2/</sup>	.5	1.5 <sup>2/</sup>
GNP implicit deflator	9.8	8.3	10.5	8.9	8.4 <sup>2/</sup>	7.2 <sup>2/</sup>	6.7	7.4 <sup>2/</sup>
Private GNP fixed weighted index <sup>3/</sup>	11.0	8.3	10.9	9.1	7.8	7.1	6.7	6.7
Personal income	8.9	8.4	11.1	6.7	8.2	8.3	9.0	8.1
Wage and salary disbursements	8.7	8.3	9.8	5.3	8.8	8.8	8.1	9.1
Disposable income	8.3	8.0	10.7	6.3	7.9	8.0	8.9	7.8
Corporate profits before tax	19.3	-9.6	-1.1	-9.0	-26.8	-15.3	.0	11.2
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	13.3	6.9	9.4	5.3	5.7	4.1	6.8	8.8
Expenditures	11.8	10.9	16.0	4.7	11.0	9.5	15.1	10.2
Nonfarm payroll employment	1.8	-.5	-.3	-1.0	-1.0	-.5	-.5	.5
Manufacturing	-.1	-3.5	-2.7	-4.0	-4.0	-4.1	-6.1	.0
Industrial production	-.4	-.9	-.3	-2.2	-2.6	-.8	.9	2.4
Housing starts, private	-27.1	-13.4	-35.6	-8.3	-18.9	-14.5	.0	36.0
Sales new autos	-17.0	-6.2	54.3	-26.2	-19.4	-10.7	.0	19.6
Domestic models	-15.5	-6.2	64.2	-29.4	-22.1	-12.3	.0	23.1
Foreign models	-24.9	-6.0	1.0	.0	.0	.0	.0	.0

<sup>1/</sup> Percentage rates are annual rates compounded quarterly.<sup>2/</sup> Excluding Federal pay increases rates of change are: 1975-I, 7.8 per cent; 1975-II, 7.1 per cent; and 1975-IV, 6.7 per cent.

# Part II

**CONFIDENTIAL (FR)**

## **CURRENT ECONOMIC and FINANCIAL CONDITIONS**

**Prepared for the  
Federal Open Market Committee**

*By the Staff*

**BOARD OF GOVERNORS  
OF THE FEDERAL RESERVE SYSTEM**

**September 4, 1974**

**CONFIDENTIAL**

**CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

**September 4, 1974**

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



**CORPORATE AND MUNICIPAL LONG-TERM SECURITY OFFERINGS**  
 (Monthly or monthly averages, in millions of dollars)

	<u>1973</u> Year	<u>1974</u>				
		1st half <sup>e/</sup>	QIII <sup>f/</sup>	Aug. <sup>e/</sup>	Sept. <sup>f/</sup>	Oct. <sup>f/</sup>
Corporate securities -						
Total	2,779	3,011	3,067	2,900	3,500	3,200
Public bonds	1,125	1,952	2,200	2,200	2,300	2,300
Privately placed bonds	725	507	467	400	600	400
Stock	929	552	400	300	600	500
State and local government securities	1,942	2,095	1,400	1,100	1,700	1,700

<sup>e/</sup> Estimated.

<sup>f/</sup> Forecast.

Federal finance. On the basis of the new Administration's budget plans, the staff has cut fiscal year 1975 budget outlays by \$5 billion since the last Greenbook to a level of \$299.5 billion. The details of the Administration approach are still to be worked out in consultation with Congressional leaders. In our estimates, \$2.6 billion of the decline occurs in purchases of goods and services, where the projection is now consistent with recent Senate cuts in defense appropriations and with the Administration's proposal to postpone the Federal pay raise from October this year to January 1975. Spending estimates also were lowered for grants to States and local governments, partly reflecting a later phase-in of the assumed expansion in public service employment program which is now unlikely to start until the spring of 1975. A portion of the remaining spending cut was allocated to asset sales and timing shifts between fiscal year 1975 and 1976.

Staff projections of budget receipts for fiscal year 1975 amount to \$293.3 billion, so that a \$6.2 billion deficit is now estimated.

PROJECTION OF TREASURY CASH OUTLOOK  
(In billions of dollars)

	Aug.	Sept.	Oct.	Nov.
<u>Total net borrowing</u>	2.2	.9	.2	4.7
Weekly and monthly bills	1.8	2.4	--	--
Tax bills	1.5	-1.5	--	2.5
Coupon issues, net	4.4	--	--	--
As yet unspecified new borrowing	--	1.8	--	5.0
Special foreign series	-1.2	--	--	--
Budget agency transactions with the public	--	--	.2	--
Net Federal Financing Bank transactions with the public	--	--	--	1.5
Debt repayment	-4.3	-1.8	--	-4.3
Plus: <u>Other net financial sources</u> <sup>a/</sup>	-1.4	--	.9	-1.7
Plus: <u>Budget surplus or deficit</u> (-)	-1.9	2.9	-5.9	-1.8
Equals: <u>Change in cash balance</u>	-1.1 <sup>b/</sup>	3.8	-4.8	1.2
Memoranda: Level of cash balance, end of period	5.4 <sup>b/</sup>	9.2	4.4	5.6
Derivation of budget surplus or deficit:				
Budget receipts	23.5	27.7	19.4	22.3
Budget outlays	25.4	24.8	25.3	24.1
Maturing coupon issues held by public	4.3 <sup>c/</sup>	1.8	--	4.3
Net borrowing by government-sponsored agencies	0.9	2.3	1.5	0.8

e--Estimated.

<sup>a/</sup> Checks outstanding less checks paid and other accrual items.<sup>b/</sup> Actual

<sup>c/</sup> In the August refinancing, \$4.0 billion of notes and \$.4 billion of bonds were sold to provide cash for refunding the \$4.3 billion of publicly-held 5-5/8 per cent notes that matured on August 15.

FEDERAL BUDGET AND FEDERAL SECTOR IN NATIONAL INCOME ACCOUNTS  
(In billions of dollars)

	F.R.B. Staff Estimates										
	Calendar Years					Calendar Quarters					
	Fiscal Year 1974*	Fiscal 1975 e/ Adm. Est. 5-30-74	F.R. Board	1973 Actual	1974 FRB e/	1974				1975	
						I*	II*	III	IV	I	II
<u>Federal Budget</u>						Unadjusted data					
Surplus/deficit	-3.5	-11.4	-6.2	-7.9	-7.7	-7.1	9.7	-2.5	-7.9	-6.1	10.3
Receipts	264.8	294.0	293.3	250.4	279.0	60.5	80.1	72.1	66.2	66.7	88.3
Outlays	268.3	305.4	299.5	258.3	286.7	67.6	70.4	74.6	74.1	72.8	78.0
Means of financing:											
Net borrowing from the public	3.0	n.a.	9.9	7.9	7.1	3.4	-6.4	4.7	5.4	2.2	-2.4
Decrease in cash operating balance	3.4	n.a.	.5	.7	4.6	2.0	-.8	--	3.4	3.1	-6.0
Other <u>1/</u>	-2.9	n.a.	-4.2	-.7	-3.9	1.7	-2.5	-2.2	-.9	.8	-1.9
Cash operating balance, end of period	9.2	n.a.	8.7	10.4	5.8	8.4	9.2	9.2	5.8	2.7	8.7
Memo <sup>2/</sup> : Sales of financial assets to the public <u>3/</u>	1.3 <sup>e/</sup>	n.a.	1.8	3.6	1.4	.4	.2	.3	.5	.4	.5
Borrowing from the public: <u>4/</u>											
Budget agency	1.0	) n.a.	) n.e.	-.1	) 3.6	0.4	0.1	--	) 1.7	n.e.)	n.e.
Federal Financing Bank	--	)	)	--	)	--	--	1.5	)	)	)
Treasury borrowing, net	2.0	n.a.	n.e.	8.0	3.5	3.0	-6.5	3.2	3.7	n.e.	n.e.
Sponsored agency borrowing <u>5/</u>	14.9	n.a.	n.e.	16.3	16.0	--	5.6	6.2	4.1	n.e.	n.e.
<u>National Income Sector</u>						Seasonally adjusted, annual rates					
Surplus/deficit	-4.4 <sup>p/</sup>	-12.8	-8.0 <sup>6/</sup>	-5.6	-2.5	-1.5	-0.0	-4.4	-4.0	-7.9	-12.0
Receipts	273.8 <sup>p/</sup>	304.3	303.4	258.5	292.8	279.4	291.6	298.2	302.1	306.3	309.4
Expenditures	278.2 <sup>p/</sup>	317.1	311.4	264.2	295.3	281.0	291.6	302.6	306.1	314.2	321.4
High Employment surplus/deficit (NIA basis) <u>7/</u>	-3.9	n.a.	9.1	-6.6	-.5	-3.0	-3.5	-3.1	7.6	12.9	19.0
* Actual	e--projected	n.e.--not estimated		n.a.--not available		p--preliminary					

Footnotes continued:

- 1/ Includes such items as deposit fund accounts and clearing accounts.
- 2/ The sum of sponsored and budget agency debt issues, financial asset sales, and borrowing by the Federal Financing Bank does not necessarily reflect the volume of debt absorbed by the public, since both the sponsored and budget agencies acquire a portion of these issues. Most of the market activities of budget agencies are expected to be handled by the Federal Financing Bank in fiscal year 1975.
- 3/ Includes net sales of loans held by the Government National Mortgage Assn., Federal Housing Adm., and Veterans Adm. and those Farmers Home Adm. loans still publicly marketed. Receipts from these sales are netted against Federal Budget Outlays shown above.
- 4/ Budget agencies such as U.S. Postal Service, Export-Import Bank, and Tennessee Valley Authority, borrow directly from the public or from the Federal Financing Bank. The Federal Financing Bank in turn borrows from the public or from the Treasury. To avoid double counting only net borrowing from the public is shown in the table.
- 5/ Federally-sponsored credit agencies, i.e., Federal Home Loan Banks, Federal National Mortgage Assn., Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives.
- 6/ Quarterly average exceeds fiscal year total by \$.6 billion for fiscal 1975 due to spreading of wage base effect over calendar year.
- 7/ Estimated by F.R. Board Staff.