

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

November 19, 1969

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

	1968	1969 Proj.	1970 Proj.	1969*			1970*			
				II	III	IV	Projected			
							I	II	III	IV
Gross National Product	865.7	932.9	980.1	924.8	942.8	955.3	962.8	970.8	985.8	1000.8
Final sales	858.4	924.3	974.2	917.9	932.0	945.3	955.5	964.7	980.7	995.7
Private	658.1	709.5	749.9	705.0	715.0	726.0	735.1	743.7	754.3	766.3
Excluding net exports	655.6	707.2	746.4	703.4	712.3	722.6	731.9	740.0	750.8	762.9
Personal consumption expenditures	536.6	575.9	614.2	572.8	579.8	588.8	598.9	609.0	619.7	629.3
Durable goods	83.3	89.7	90.6	90.6	89.8	90.0	90.0	90.0	91.0	91.5
Nondurable goods	230.6	243.9	261.7	242.1	245.1	249.1	254.4	259.5	264.3	268.5
Services	222.8	242.4	261.9	240.1	244.9	249.7	254.5	259.5	264.4	269.3
Gross private domestic investment	126.3	140.0	137.9	137.4	143.3	144.3	140.0	136.8	136.2	138.7
Residential construction	30.2	31.9	26.8	32.7	31.4	30.3	28.2	25.4	25.5	28.0
Business fixed investment	88.8	99.4	105.4	97.8	101.1	103.5	104.8	105.6	105.6	105.6
Change in business inventories	7.3	8.7	5.8	6.9	10.7	10.5	7.0	5.8	5.1	5.1
Nonfarm	7.4	8.4	5.5	6.7	10.3	10.0	6.6	5.6	4.9	4.9
Net exports of goods and services	2.5	2.2	3.6	1.6	2.7	2.9	3.5	4.0	3.5	3.4
Gov't. purchases of goods & services	200.3	214.8	224.3	212.9	217.0	219.3	220.4	221.0	226.4	229.4
Federal	99.5	102.1	100.9	100.6	103.2	102.8	101.2	99.0	101.6	101.8
Defense	78.0	79.3	76.5	78.5	80.3	79.5	77.5	75.0	76.8	76.8
Other	21.5	22.7	24.4	22.1	22.9	23.3	23.7	24.0	24.8	25.0
State & local	100.7	112.8	123.4	112.3	113.8	116.5	119.2	122.0	124.8	127.6
Gross national product in constant (1958) dollars	707.6	728.4	735.7	726.7	730.6	733.2	732.4	732.4	736.1	742.0
GNP implicit deflator (1958=100)	122.3	128.1	133.2	127.3	129.0	130.3	131.5	132.5	133.9	134.9
Personal income	687.9	747.2	796.9	740.5	756.5	767.4	776.8	789.7	804.7	816.2
Wages and salaries	465.0	510.1	545.1	504.3	516.9	525.8	532.1	539.3	550.4	558.6
Disposable income	590.0	629.6	676.1	622.0	639.0	647.1	658.3	668.5	684.3	693.2
Personal saving	38.4	37.7	45.0	33.3	43.1	42.0	42.9	42.8	47.5	46.6
Saving rate (per cent)	6.5	6.0	6.7	5.3	6.7	6.5	6.5	6.4	6.9	6.7
Corporate profits before tax	91.1	93.5	82.8	95.4	92.4	90.5	86.5	82.5	80.5	81.5
Federal government receipts and expenditures (N.I.A. basis)										
Receipts	176.3	201.4	198.1	202.8	201.4	202.9	197.3	198.3	196.6	200.3
Expenditures	181.5	191.7	202.1	189.3	193.6	195.5	196.3	199.3	204.9	208.0
Surplus or deficit (-)	-5.2	9.7	-4.0	13.5	7.8	7.4	1.0	-1.0	-8.3	-7.7
Total labor force (millions)	82.3	84.2	85.4	83.8	84.6	84.8	85.0	85.3	85.6	85.9
Armed forces "	3.5	3.5	3.3	3.5	3.5	3.5	3.4	3.3	3.3	3.2
Civilian labor force "	78.7	80.7	82.1	80.3	81.1	81.3	81.6	82.0	82.3	82.7
Unemployment rate (per cent)	3.6	3.6	4.6	3.5	3.7	4.0	4.2	4.5	4.8	5.0
Nonfarm payroll employment (millions)	67.9	70.1	70.9	70.0	70.4	70.6	70.8	70.8	70.9	71.2
Manufacturing	19.8	20.2	19.9	20.1	20.2	20.2	20.1	19.9	19.8	19.9
Industrial production (1957-59=100)	165.4	172.6	172.7	172.6	174.3	173.2	172.5	172.0	172.8	173.5
Capacity utilization, manufacturing (per cent)	84.5	84.0	79.9	84.5	84.2	82.7	81.2	80.0	79.3	79.0
Housing starts, private (millions A.R.)	1.51	1.48	1.13	1.51	1.43	1.25	1.13	1.00	1.10	1.30
Sales new domestic autos (millions, A.R.)	8.62	8.44	8.51	8.54	8.45	8.40	8.40	8.40	8.50	8.75

* Assumes Administration's proposals for repeal of investment tax credit and extension of tax surcharge at 10% through 1969 and then at 5% through June 1970.

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1968	1969 Proj.	1970 Proj.	1969 *			1970 *			
				II	III	IV	Projected			
				I	II	III	IV	I	II	III
-----In Billions of Dollars-----										
Gross National Product	72.2	67.2	47.2	16.1	18.0	12.5	7.5	8.0	15.0	15.0
Inventory change	-0.1	1.3	-2.7	0.3	3.8	-0.2	-3.5	-1.2	-0.7	0.0
Final sales	72.2	65.9	49.9	15.8	14.1	12.8	11.0	9.2	15.7	15.0
Private	52.0	51.4	40.4	12.9	10.0	10.5	9.9	8.6	10.3	12.0
Excluding net exports	54.7	51.6	39.2	12.8	8.9	10.3	9.3	8.1	10.8	12.1
Net exports	-2.7	-0.2	1.2	0.1	1.1	0.2	0.6	0.5	-0.5	-0.1
Government	20.2	14.5	9.5	2.9	4.1	2.3	1.1	0.6	5.4	3.0
GNP in constant (1958) dollars	33.0	20.8	7.3	3.6	3.9	2.6	-0.8	0.0	3.7	5.9
Final sales	33.3	19.8	9.8	3.5	0.6	2.7	2.2	0.6	5.1	5.6
Private	24.9	18.3	10.8	3.9	1.4	2.6	2.7	1.8	3.9	4.6
-----In Per Cent Per Year-----										
Gross National Product	9.1	7.8	5.1	7.1	7.8	5.3	3.1	3.3	6.2	6.1
Final sales	9.2	7.7	5.4	7.0	6.1	5.5	4.7	3.9	6.5	6.1
Private	8.5	7.8	5.7	7.5	5.7	5.9	5.5	4.7	5.5	6.4
Personal consumption expenditures	9.0	7.3	6.7	7.7	4.9	6.2	6.9	6.7	7.0	6.2
Durable goods	14.1	7.7	1.0	10.0	-3.5	0.9	0.0	0.0	4.4	2.2
Nondurable goods	7.2	5.8	7.3	5.9	5.0	7.5	7.5	8.0	7.4	6.4
Services	9.1	8.8	8.0	8.7	8.0	7.8	7.7	7.9	7.6	7.4
Gross private domestic investment	8.9	10.8	-1.5	6.5	17.2	2.8	-11.9	-9.1	-1.8	7.3
Residential construction	20.8	5.6	-16.0	-7.2	-15.9	-14.0	-27.7	-39.7	1.6	39.2
Business fixed investment	6.1	11.9	6.0	10.5	13.5	9.5	5.0	3.1	0.0	0.0
Gov't. purchases of goods & services	11.2	7.2	4.4	5.5	7.7	4.2	2.0	1.1	9.8	5.3
Federal	9.7	2.6	-1.2	-3.9	10.3	-1.5	-6.2	-8.7	10.5	0.8
Defense	7.7	1.7	-3.5	-2.5	9.2	-4.0	-10.1	-12.9	9.6	0.0
Other	16.8	5.6	7.5	-8.9	14.5	7.0	6.9	5.1	13.3	3.2
State & local	12.8	12.0	9.4	14.0	5.3	9.5	9.3	9.4	9.2	9.0
GNP in constant (1958) dollars	4.9	2.9	1.0	2.0	2.1	1.4	-0.5	0.0	2.0	3.2
Final sales	5.0	2.8	1.4	2.0	0.3	1.5	1.2	0.3	2.8	3.1
Private	4.7	3.3	1.9	2.8	1.0 ^{1/}	1.8	1.9	1.2	2.7 ^{2/}	3.2
GNP implicit deflator	4.0	4.7	4.0	5.1	5.6	3.9	3.6	3.3	4.1	2.9
Personal income	9.3	8.6	6.6	8.9	8.6	5.8	4.9	6.6	7.6	5.7
Wages and salaries	9.8	9.7	6.9	8.9	10.0	6.9	4.8	5.4	8.2	6.0
Disposable income	8.0	6.7	7.4	7.7	10.9	5.1	6.9	6.2	9.5	5.2
Corporate profits before tax	13.4	2.6	-11.5	0.4	-12.6	-8.2	-17.7	-18.5	-9.7	5.0
Federal government receipts and expenditures (N.I.A. basis)										
Receipts	16.7	14.2	-1.6	8.5	-2.8	3.0	-11.0	2.0	-3.4	7.5
Expenditures	10.8	5.6	5.4	1.7	9.1	3.9	1.6	6.1	11.2	6.1
Nonfarm payroll employment	3.0	3.2	1.1	2.9	2.3	1.1	1.1	0.0	0.6	1.7
Manufacturing	2.1	2.0	-1.5	0.0	2.0	0.0	-2.0	-4.0	-2.0	2.0
Industrial production	4.6	4.4	0.1	5.6	3.9	-2.5	-1.6	-1.2	1.9	1.6
Housing starts, private	16.7	-2.1	-23.3	-48.3	-21.5	-50.9	-39.1	-44.4	40.0	72.7
Sales new domestic autos	14.0	-2.1	0.8	8.4	-4.2	-2.5	0.0	0.0	4.8	11.8

* Assumes Administration's proposals for repeal of investment tax credit and extension of tax surcharge at 10% through 1969 and then at 5% through June 1970.

^{1/} Excluding Federal pay increase 4.3 per cent.

^{2/} Excluding Federal pay increase 3.1 per cent.

new homes available for sale changed little, it reached a relatively high 6.6 million supply at the currently reduced level of sales. Median prices of homes not yet sold continued to rise in September and, at \$26,200, were about 7 per cent more than a year earlier. Sales of existing homes have also apparently slackened in recent months, with prices of such homes continuing about a tenth above a year earlier.

Plant and equipment spending. Business spending on new plant and equipment is projected to increase by 8 per cent next year following an 11 per cent increase in 1969, according to the McGraw-Hill survey taken in October. These results are generally in line with those reported earlier by two other private surveys. Because capital goods prices are expected to rise by 7 per cent, the McGraw-Hill survey suggests that in real terms investment would grow only 1 per cent compared with an increase of 5 per cent estimated for 1969. The Commerce-SEC survey covering spending plans for early 1970 will be available in early December.

PLANT AND EQUIPMENT SPENDING

	Billions of dollars			Per cent change	
	1968 Actual	1969 Estimated	1970 Planned*	1968- 1969	1969- 1970
All business	64.08	70.85	76.71	10.6	8.3
Manufacturing	26.44	29.68	32.26	12.3	8.7
Durable goods	13.51	15.43	16.49	14.2	6.9
Nondurable goods	12.93	14.25	15.77	10.2	10.7
Nonmanufacturing	37.64	41.17	44.45	9.4	8.0
Mining	1.42	1.56	1.73	10.2	10.9
Railroad	1.34	1.47	1.10	9.8	-25.2
Non-rail transportation	4.31	4.52	5.31	4.9	17.5
Public utilities	11.54	12.74	14.18	10.4	11.3
Communication	6.36	7.55	8.00	18.7	6.0
Commercial and other	12.67	13.33	14.13	5.2	6.0

* McGraw-Hill October 1969 Survey.

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

	FY 1969 Actual	Calendar year 1969e/	Fiscal 1970 Summer Budget Review	F.R. Board	II	IIIe/	IVe/	Ie/	IIe/
<u>Quarterly data, unadjusted</u>									
New budget:									
Surplus/deficit	3.1	6.4	5.9	2.4	15.3	-2.5	-4.4	-3.6	12.9
Receipts	187.8	196.7	198.8	195.3	60.8	47.9	43.9	44.2	59.3
Total expenditures and net lending	184.8	190.3	192.9	192.9	45.5	50.4	48.3	47.8	46.4
Means of financing:									
Total borrowing from the public	-1.4 ^{1/}	-4.5		-1.4	-12.6	3.2 ^{2/}	4.7	2.4	-11.7
Decrease in cash operating balance	-.6	-1.8	n.a.	-0.1	-1.1	-.7	.1	.5	--
Other ^{3/}	-1.1	-.2		-0.9	-1.7	--	-.4	.7	-1.2
Cash operating balance, end of period	5.9	6.5		6.0	5.9	6.6	6.5	6.0	6.0
<u>Seasonally adjusted annual rate</u>									
Federal surplus/deficit									
in national income accounts	4.9	9.7	5.1	3.8	13.5	7.8	7.4	1.0	-1.0
Receipts	192.3	201.4	201.2	200.0	202.8	201.4	202.9	197.3	198.3
Expenditures	187.4	191.7	196.1	196.2	189.3	193.6	195.5	196.3	199.3
High employment budget surplus/deficit ^{4/}	2.7	9.3	n.a.	7.3	12.6	7.8	8.9	5.9	6.5

*--Actual

e--Projected. Assumes extension of surcharge at 5 per cent from January to June 1970. Also assumes discontinuance of investment tax credit effective, retroactively, April 1969.

n.a.--Not available.

^{1/} Excludes effect of conversion of agencies to private ownership.

^{2/} Excludes effect of reclassification of \$1.6 billion of CCC certificates of interest from Budget transactions to borrowing from the public.

^{3/} Includes such items as deposit fund accounts and clearing accounts.

^{4/} National Income account translation estimated by Federal Reserve staff.