

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff  
Board of Governors  
of the Federal Reserve System

April 29, 1970

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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	1970 Proj.	1969			Ip	1970 Projected		
				II	III	IV		II*	III*	IV
Gross National Product	865.7	932.1	984.6	924.8	942.8	952.2	960.4	975.4	992.4	1010.0
Final purchases	858.4	924.1	981.7	917.9	932.0	944.5	957.5	974.4	989.4	1005.6
Private	658.1	709.5	758.9	705.0	715.0	726.2	738.7	751.1	766.1	779.7
Excluding net exports	655.6	707.4	755.2	703.4	712.3	723.5	735.0	748.1	762.1	775.7
Personal consumption expenditures	536.6	576.0	618.3	572.8	579.8	589.5	600.6	612.6	624.9	634.9
Durable goods	83.3	89.8	91.7	90.6	89.8	90.4	89.7	90.7	92.7	93.7
Nondurable goods	230.6	243.6	262.7	242.1	245.1	248.7	255.3	260.8	265.6	269.0
Services	222.8	242.6	263.9	240.1	244.9	250.3	255.6	261.1	266.6	272.2
Gross private domestic investment	126.3	139.4	139.8	137.4	143.3	141.8	137.3	136.5	140.2	145.2
Residential construction	30.2	32.2	30.1	32.7	31.4	31.6	30.1	29.0	29.2	32.1
Business fixed investment	88.8	99.2	106.9	97.8	101.1	102.5	104.3	106.5	108.0	108.7
Change in business inventories	7.3	8.0	2.8	6.9	10.7	7.7	2.9	1.0	3.0	4.4
Nonfarm	7.4	7.8	2.8	6.7	10.3	7.4	2.6	1.0	3.0	4.4
Net exports of goods and services	2.5	2.1	3.7	1.6	2.7	2.7	3.7	3.0	4.0	4.0
Gov't. purchases of goods & services	200.3	214.6	222.8	212.9	217.0	218.3	218.8	223.3	223.3	225.9
Federal	99.5	101.9	99.5	100.6	103.2	102.3	100.2	101.9	98.4	97.5
Defense	78.0	79.2	75.9	78.5	80.3	79.2	77.3	78.5	74.7	73.0
Other	21.5	22.7	23.6	22.1	22.9	23.1	22.9	23.4	23.7	24.5
State & local	100.7	112.7	123.3	112.3	113.8	116.0	118.6	121.4	124.9	128.4
Gross national product in constant (1958) dollars	707.6	727.5	731.8	726.7	730.6	729.8	726.9	726.6	733.8	740.0
GNP implicit deflator (1958 = 100)	122.3	128.1	134.5	127.3	129.0	130.5	132.1	134.2	135.2	136.5
Personal income	687.9	747.2	802.3	740.5	756.5	767.4	778.5	800.9	808.3	821.5
Wages and salaries	465.0	509.9	547.6	504.3	516.9	525.0	532.4	544.3	551.6	562.0
Disposable income	590.0	629.7	681.7	622.0	639.0	647.5	659.9	679.1	688.8	699.1
Personal saving	38.4	37.6	46.7	33.3	43.1	41.7	42.8	49.9	47.1	47.1
Saving rate (per cent)	6.5	6.0	6.8	5.3	6.7	6.4	6.5	7.3	6.8	6.7
Corporate profits before tax	91.1	93.8	86.6	95.4	92.5	91.4	86.5	84.5	87.0	88.5
Federal government receipts and expenditures (N.I.A. basis)										
Receipts	176.3	201.5	199.3	202.8	201.3	203.3	197.5	199.7	198.3	201.6
Expenditures	181.5	192.0	204.5	189.3	193.6	196.7	197.7	210.6	204.5	205.3
Surplus or deficit (-)	-5.2	9.5	-5.2	13.5	7.7	6.7	-0.2	-10.9	-6.2	-3.7
High employment surplus or deficit (-)	-10.0	5.3	4.8	7.8	3.9	5.6	5.8	-1.0	4.9	9.6
Total labor force (millions)	82.3	84.2	86.2	83.9	84.6	85.0	85.8	86.1	86.3	86.6
Armed forces "	3.5	3.4	3.2	3.5	3.5	3.5	3.3	3.3	3.2	3.1
Civilian labor force "	78.7	80.7	83.0	80.4	81.0	81.5	82.4	82.8	83.1	83.5
Unemployment rate (per cent)	3.6	3.5	4.6	3.5	3.6	3.6	4.1	4.6	4.7	4.8
Nonfarm payroll employment (millions)	67.9	70.1	71.2	70.0	70.4	70.6	70.9	71.1	71.2	71.6
Manufacturing	19.8	20.1	19.8	20.1	20.2	20.1	19.9	19.7	19.7	19.8
Industrial production (1957-59=100)	165.5	172.8	171.6	172.6	174.3	171.9	170.1	170.1	172.0	174.0
Capacity utilization, manufacturing (per cent)	84.6	83.7	78.7	84.5	84.2	81.7	79.4	78.5	78.5	78.5
Housing starts, private (millions A.R.)	1.51	1.47	1.32	1.52	1.43	1.36	1.25	1.20	1.35	1.50
Sales new domestic autos (millions, A.R.)	8.62	8.46	7.85	8.54	8.45	8.13	7.35	7.80	8.00	8.20

\* Assumes 6 per cent pay raise for all Federal civil service, military, and postal employees in 70-II retroactive to December 27, 1969 and in 70-III for postal workers additional 8 per cent increase in pay rates and a 2 per cent increase in postal payrolls because of compaction of grade schedules; assumes \$450 million absorption in fiscal 1971 by lower employment.

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CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1968	1969	1970 Proj.	1969			1970			
				II	III	IV	Ip	Projected		
								II	III	IV
-----In Billions of Dollars-----										
Gross National Product	72.2	66.4	52.5	16.1	18.0	9.4	8.2	15.0	17.0	17.6
Inventory change	-0.1	0.7	-5.2	0.3	3.8	-3.0	-4.8	-1.9	2.0	1.4
Final purchases	72.2	65.7	57.6	15.8	14.1	12.5	13.0	16.9	15.0	16.2
Private	52.0	51.4	49.4	12.9	10.0	11.2	12.5	12.4	15.0	13.6
Excluding net exports	54.7	51.8	47.8	12.8	8.9	11.2	11.5	13.1	14.0	13.6
Net Exports	-2.7	-0.4	1.6	0.1	1.1	0.0	1.0	-0.7	1.0	0.0
Government	20.2	14.3	8.2	2.9	4.1	1.3	0.5	4.5	0.0	2.6
GNP in constant (1958) dollars	33.0	19.9	4.3	3.6	3.9	-0.8	-2.9	-0.3	7.2	6.2
Final purchases	33.0	19.6	8.8	3.5	0.6	1.8	1.3	1.4	5.3	5.0
Private	24.9	18.3	12.6	3.9	1.4	2.8	3.0	3.0	4.8	4.5
-----In Per Cent Per Year-----										
Gross National Product	9.1	7.7	5.6	7.1	7.8	4.0	3.4	6.2	7.0	7.1
Final purchases	9.2	7.7	6.2	7.0	6.1	5.4	5.5	7.1	6.2	6.5
Private	8.5	7.8	7.0	7.5	5.7	6.3	6.9	6.7	8.0	7.1
Personal consumption expenditures	9.0	7.3	7.3	7.7	4.9	6.7	7.5	8.0	8.0	6.4
Durable goods	14.1	7.8	2.1	10.0	-3.5	2.7	-3.1	4.5	8.8	4.3
Nondurable goods	7.2	5.6	7.8	5.9	5.0	5.9	10.6	8.6	7.4	5.1
Services	9.1	8.9	8.8	8.7	8.0	8.8	8.5	8.6	8.4	8.4
Gross private domestic investment	8.9	10.4	0.3	6.5	17.2	-4.2	-12.7	-2.3	10.8	14.3
Residential construction	20.8	6.6	-6.5	-7.2	-15.9	2.5	-19.0	-14.6	2.8	39.7
Business fixed investment	6.1	11.7	7.8	10.5	13.5	5.5	7.0	8.4	5.6	2.6
Gov't. purchases of goods & services	11.2	7.1	3.8	5.5	7.7	2.4	0.9	8.2	0.0	4.7
Federal	9.7	2.4	-2.4	-3.9	10.3	-3.5	-8.2	6.8	-13.7	-3.7
Defense	7.7	1.5	-4.2	-2.5	9.2	-5.5	-9.6	6.2	-19.4	-9.1
Other	16.8	5.6	4.0	-8.9	14.5	3.5	-3.5	8.7	5.1	13.5
State & local	12.8	11.9	9.4	14.0	5.3	7.7	9.0	9.4	11.5	11.2
GNP in constant (1958) dollars	4.9	2.8	0.6	2.0	2.1	-0.4	-1.6	-0.2	3.9	3.4
Final purchases	5.0	2.8	1.2	2.0	0.3	1.0	0.7	0.8	2.9	2.7
Private	4.7	3.3	2.2	2.8	1.0	2.0	2.1	2.1	3.3	3.1
GNP implicit deflator *	4.0	4.7	5.0	5.1	5.6 <sup>1/</sup>	4.5	5.0	6.4 <sup>2/</sup>	3.0 <sup>2/</sup>	3.7
Personal income	9.3	8.6	7.4	8.9	8.6	5.8	5.8	11.5	3.7	6.5
Wages and salaries	9.8	9.7	7.4	8.9	10.0	6.3	5.6	8.9	5.4	7.5
Disposable income	8.0	6.7	8.3	7.7	10.9	5.3	7.7	11.6	5.7	6.0
Corporate profits before tax	13.4	3.0	-7.7	0.4	-12.2	-4.8	-21.4	-9.2	11.8	6.9
Federal government receipts and expenditures (N.I.A. basis)										
Receipts	16.7	14.3	-1.1	8.5	-3.0	4.0	-11.4	4.5	-2.8	6.7
Expenditures	10.8	5.8	6.5	1.7	9.1	6.4	2.0	26.1	-11.6	1.6
Nonfarm payroll employment	3.0	3.4	1.6	3.3	2.0	1.5	1.7	1.1	0.6	2.2
Manufacturing	2.1	1.8	-1.5	1.6	1.8	-3.4	-4.0	-4.0	0.0	2.0
Industrial production	4.7	4.4	-0.8	5.6	3.9	-5.5	-4.2	0.0	4.4	4.4
Housing starts, private	16.7	-2.7	-9.7	-31.4	-22.7	-20.2	-32.1	-16.0	5.0	44.4
Sales new domestic autos	14.0	-1.9	-7.3	8.4	-4.2	-15.1	-38.2	24.5	10.3	10.0

\* Based on deflators calculated to three decimals.

<sup>1/</sup> Excluding effects of Federal pay increase, 4.3 per cent per year.<sup>2/</sup> Excluding effects of Federal pay increase, 4.5 per cent per year in 70-II and 4.2 per cent per year in 70-III.

be possible depending on the terms of the waiver. In 1969, net imports of all meats amounted to 8.5 pounds per person (carcass weight), and quota meats, mostly beef, amounted to 5.5 pounds per person. Quota beef competes principally with lower grades of domestic beef.

POUNDS OF MEAT AND POULTRY CONSUMED PER PERSON<sup>1/</sup>  
(Quarterly 1969 and 1970)

	TOTAL **		BEEF		PORK		POULTRY	
	1969 Actual	1970 <sup>2/</sup> Prospects	1969 Actual	1970 Prospects	1969 Actual	1970 Prospects	1969 Actual	1970 Prospects
1st Q	55.9	- .5	27.2	+ .7	16.9	-1.7	10.0	+ .8
2nd Q	55.4	+1.2	26.5	+1.6	16.0	-1.1	11.4	+ .5
3rd Q	57.8	+ .8	28.7	- .2	15.4	- .1	12.0	+1.3
4th Q	60.2	+1.8	28.3	+ .3	16.5	+ .8	13.7	+ .8
Year	229.4	+3.2	110.7	+2.4	64.8	-2.1	47.1	+3.4

<sup>1/</sup> Reported data through 1st Q 1970 and projections through rest of period.

\*\* Total includes veal and lamb.

<sup>2/</sup> Net increases or decreases in pounds consumed from a year earlier.

Farmland prices. Prices of U.S. farmland advanced 4 per cent in the year ending March 1, the same as the annual advance reported in November but slower than the March 1968-69 increase of 5 per cent. Annual increases have been slowing since the 7 per cent rise of 1965-66 when strong demands for grains associated with world food shortages boosted land prices. Annual rates of increase in the past decade have averaged 5.3 per cent. Values this March averaged 2 per cent higher than in November. Some quickening in the pace of increase was evident in the Richmond District and in some of the midwestern Districts this spring.

continued to be a major support of the bond market. On April 24, corporate bond rates had returned to the levels prevailing in the congested markets of late March, only 10 basis points below the record highs of December.

CORPORATE SECURITY OFFERINGS<sup>1/</sup>  
(Monthly or monthly averages in millions of dollars)

	Bonds				Stocks		Total	
	Public Offerings		Private Placements		1969	1970	1969	1970
	1969	1970	1969	1970				
QI	836	1,518e	513	395e	674	690e	2,073	2,604e
II	1,137	2,366e	558	433e	756	667e	2,451	3,466e
April	1,268	2,000e	649	400e	830	600e	2,748	3,000e
May <u>2/</u>	871	3,300e	510	400e	694	700e	2,076	4,400e
June	1,272	1,800e	514	500e	744	700e	2,530	3,000e
April-May average <u>2/</u>	1,070	2,650e	580	400e	762	650e	2,412	3,700e

<sup>1/</sup> Data are gross proceeds.

<sup>2/</sup> The two-month average distributes the impact of the \$1.569 billion AT&T bond subscription offering, which is large enough to distort month-to-month changes substantially. The terms of the offering were set in mid-April, and the rights will expire on May 18.

e/ Estimated.

The staff estimates that the total of public bond issues in May will be about \$3.3 billion including, or \$1.7 billion excluding, AT&T. June volume, tentatively projected at \$1.8 billion, represents only a moderate decline from the high levels of March and April. Announcements of prospective new filings by industrial and financial firms have been frequent, and the total of scheduled utility offerings in June is equal to the April high.

New commitments for privately placed bonds by life insurance companies are sharply below year-ago levels, but figures for January takedowns of private placements just released by the SEC indicate that take-downs by all institutional investors were maintained at levels higher than previously estimated by Board staff. Although the extended decline in the stock market during the four months of the year has probably dampened the growth of new issue volume to some extent, new issue volume has remained large. Offerings of common and preferred stock in April amounted to \$600 million, and the staff estimates that volume will rise slightly in May and June, to a monthly average of about \$700 million. The staff now estimates the monthly average gross proceeds from all new corporate security issues will be about \$3.5 billion in the second quarter, two-thirds above the previous record of \$2.1 billion.

STATE AND LOCAL GOVERNMENT OFFERINGS  
(Monthly or monthly averages in millions of dollars)

	1969	1970
Year	990	--
QI	927	1,317e
QII	1,216	1,500e
April	1,801	1,650e
May	1,110	1,300e
June	737	1,500e

e/ Estimated.

PROJECTION OF TREASURY CASH OUTLOOK  
(In billions of dollars)

	Apr.	May	June	July
<u>Borrowing operations</u>				
New cash raised				
Unspecified new borrowing	--	2.0	--	4.0
Weekly and monthly bills	.7	.4	.4	--
Tax bills	--	--	--	--
Coupon issues	--	--	--	--
Other (agency, debt repayment, etc.)	-4.9	-1.3	-4.5	--
Total net borrowing from public	-4.2	1.1	-4.1	4.0
Plus: Other net financial sources <sup>a/</sup>	- .9	.5	- .6	.3
Plus: <u>Budget surplus or deficit (-)</u>	5.6	-4.4	8.0	-5.4
Equals: <u>Change in cash balance</u>	.5	-2.8	3.3	-1.1
Memoranda: Level of cash balance end of period	7.4	4.6	7.9	6.8
Derivation of budget surplus or deficit				
Budget receipts	23.8	13.7	24.0	12.5
Budget outlays	18.2	18.1	16.0	17.9

<sup>a/</sup> Checks issued less checks paid and other accrual items.

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

	Fiscal 1970 e/		Fiscal 1971 e/		Calendar Years		Calendar Quarters			
	Jan.	F.R.	Jan.	F.R.			1970			
	Budget	Board	Budget	Board	1969	1970 1/	I	IIe/	IIIe/	IVe/
<u>Federal Budget</u>										
(Quarterly data, unadjusted)										
Surplus/deficit	1.5	-2.5	1.3	-2.7	5.3	-6.0	-3.5	9.2	-5.1	-6.6
Receipts	199.4	196.5	202.1	201.0	195.6	196.1	44.3	61.5	47.7	42.6
Outlays	197.9	199.0	200.8	203.7	190.3	202.1	47.8	52.3	52.8	49.2
Means of financing:										
Net borrowing from the public <sup>2/</sup>	-2.6	3.1	-1.2		-4.1	4.7	2.0	-7.2	4.1	5.8
Decrease in cash operating balance		-2.0			- .6	--	-1.6	-1.0	1.0	1.6
Other <sup>3/</sup>	n.a.	1.3	n.a.	n.a.	- .7	1.3	3.1	-1.0	--	-.8
Cash operating balance, end of period		7.9			5.3	5.3	6.9	7.9	6.9	5.3
<u>National Income Sector</u>										
(Seasonally adjusted annual rate)										
Surplus/deficit	3.6	.8	1.6	-2.4	9.5	-5.3	-.2	-10.9	-6.2	-3.7
Receipts	201.7	200.5	205.4	204.3	201.5	199.3	197.5	199.7	198.3	201.6
Expenditures	198.1	199.7	203.8	206.7	192.0	204.5	197.7	210.6	204.5	205.3
High employment budget surplus/deficit 1/	n.a.	3.6	n.a.	11.5	5.3	4.8	5.8	-1.0	4.9	9.6

e--Projected

n.a.--Not available

<sup>1/</sup> Estimated by Federal Reserve Board Staff.

<sup>2/</sup> Excludes effect of reclassification of \$1.6 billion of CCC certificates of interest, as of July 1, 1969. This reclassification increased Federal debt, but is not treated as borrowing from the public.

<sup>3/</sup> Includes such items as deposit fund accounts and clearing accounts.