

**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**

July 9, 1969

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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)

	1967	1968	1969 Proj.	1969				1970	
				I	II	III	Projected IV	I	II
Gross National Product	789.7	860.6	925.3	903.3	919.0	934.0	945.0	953.0	959.5
Final sales	783.6	852.9	917.9	896.7*	911.3	926.7	937.0	948.0	957.5
Private excluding net exports	600.4	653.7	704.2	688.5*	699.8	710.2	718.1	725.1	732.7
Net exports	4.8	2.0	1.5	1.3*	1.6	1.3	1.7	3.7	4.2
Personal consumption expenditures	492.2	533.8	571.1	557.4	566.1	576.5	584.2	592.5	600.7
Durable goods	72.6	82.5	88.0	86.8	88.3	89.0	88.0	88.0	87.0
Nondurable goods	215.8	230.3	244.0	238.1	240.8	246.2	250.7	254.7	259.7
Services	203.8	221.0	239.1	232.5	237.0	241.3	245.5	249.8	254.0
Gross private domestic investment	114.3	127.7	140.5	137.7*	141.4	141.0	141.9	137.6	134.0
Residential construction	24.6	29.9	31.8	32.5	32.7	31.2	30.9	30.6	32.0
Business fixed investment	83.6	90.0	101.3	98.6*	101.0	102.5	103.0	102.0	100.0
Change in business inventories	6.1	7.7	7.4	6.6*	7.7	7.3	8.0	5.0	2.0
Nonfarm	5.6	7.3	7.1	5.8*	7.2	7.3	8.0	5.0	2.0
Net exports of goods and services	4.8	2.0	1.5	1.3*	1.6	1.3	1.7	3.7	4.2
Gov't. purchases of goods & services	178.4	197.2	212.3	206.9	209.9	215.2	217.2	219.2	220.6
Federal	90.6	100.0	103.7	102.4	102.7	105.2	104.5	103.8	102.5
Defense	72.4	78.9	81.0	80.2	80.2	82.2	81.5	80.8	79.5
Other	18.2	21.1	22.7	22.2	22.5	23.0	23.0	23.0	23.0
State & local	87.8	97.2	108.6	104.5	107.2	110.0	112.7	115.4	118.1
Gross national product in constant (1958) dollars	673.1	706.7	728.8	723.5	728.2	730.9	732.7	732.5	731.7
GNP implicit deflator (1958=100)	117.3	121.8	127.0	124.9	126.2	127.8	129.0	130.1	131.1
Personal income	628.8	685.8	740.2	721.7	735.0	747.0	757.0	766.5	775.0
Wages and salaries	423.4	463.5	504.3	490.8	500.6	509.3	516.5	522.5	527.1
Disposable income	546.3	589.0	624.1	609.2	618.5	630.7	637.8	649.1	655.4
Personal saving	40.2	40.7	38.1	36.9	37.3	38.9	39.1	40.8	38.8
Saving rate (per cent)	7.4	6.9	6.1	6.1	6.0	6.2	6.0	6.3	5.9
Corporate profits before tax	81.6	92.3	95.3	96.5	96.0	95.5	93.0	89.0	86.0
Federal government receipts and expenditures (N.I.A. basis)									
Receipts	151.2	176.9	200.2	197.1	201.0	200.5	202.1	196.5	197.2
Expenditures	163.6	182.2	193.3	189.7	192.0	195.7	195.8	196.6	197.8
Surplus or deficit (-)	-12.4	-5.4	6.9	7.4	9.0	4.8	6.3	-0.1	-0.6
Total labor force (millions)	80.8	82.3	84.0	83.7	83.8	84.1	84.3	84.7	85.0
Armed forces "	3.4	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Civilian labor force "	77.3	78.7	80.5	80.2	80.3	80.6	80.8	81.2	81.5
Unemployment rate (per cent)	3.8	3.6	3.6	3.3	3.5	3.6	3.9	4.1	4.5
Nonfarm payroll employment (millions)	65.9	67.9	70.1	69.5	70.0	70.3	70.5	70.6	70.6
Manufacturing	19.4	19.8	20.1	20.1	20.1	20.2	20.1	20.0	19.9
Industrial production (1957-59=100)	158.1	164.7	172.9	170.2	172.8	174.1	174.9	174.4	173.0
Capacity utilization, manufacturing (per cent)	85.3	84.5	84.3	84.5	84.5	84.4	83.7	82.5	80.5
Housing starts, private (millions A.R.)	1.29	1.51	1.53	1.72	1.51	1.45	1.42	1.50	1.60
Sales new domestic autos (millions, A.R.)	7.57	8.62	8.51	8.37	8.56	8.60	8.50	8.50	8.35

\* Commerce estimates modified to reflect revised and later data.

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CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1967	1968	1969 Proj.	1969				1970	
				I	II	III	Projected IV	I	II
-----In Billions of Dollars-----									
Gross National Product	42.1	70.9	64.7	15.9	15.7	15.0	11.0	8.0	6.5
Inventory change	-8.6	1.6	-0.3	-4.0*	1.1	-0.4	0.7	-3.0	-3.0
Final sales	50.8	69.3	65.0	19.9*	14.6	15.4	10.3	11.0	9.5
Private excluding net exports	28.8	53.3	50.5	15.7*	11.3	10.4	7.9	7.0	7.6
Net exports	-0.3	-2.8	-0.5	0.3*	0.3	-0.3	0.4	2.0	0.5
Government	22.2	18.8	15.1	3.9	3.0	5.3	2.0	2.0	1.4
GNP in constant (1958) dollars	16.0	33.6	22.1	5.1	4.7	2.7	1.8	-0.2	-0.8
Final sales	24.0	32.4	22.7	8.7*	4.0	3.3	1.1	2.3	2.0
Private	9.8	23.9	18.6	7.4*	3.1	3.0	1.1	2.8	2.3
-----In Per Cent Per Year-----									
Gross National Product	5.6	9.0	7.5	7.2	7.0	6.5	4.7	3.4	2.7
Final sales	6.9	8.8	7.6	9.1*	6.5	6.8	4.4	4.7	4.0
Private	5.0	8.3	7.6	9.5*	6.7	5.8	4.7	5.0	4.4
Personal consumption expenditures	5.7	8.5	7.0	7.8	6.2	7.3	5.3	5.7	5.5
Durable goods	3.0	13.6	6.7	8.0	6.9	3.2	-4.5	0.0	-4.5
Nondurable goods	4.4	6.7	5.9	7.5	4.5	9.0	7.3	6.4	7.9
Services	8.2	8.4	8.2	7.9	7.7	7.3	7.0	7.0	6.7
Gross private domestic investment	-5.4	11.7	10.0	3.2*	10.7	-1.1	2.6	-12.1	-10.5
Residential construction	-0.8	21.5	6.4	11.4	2.5	-18.3	-3.8	-3.9	18.3
Business fixed investment	2.8	7.7	12.6	18.2*	9.7	5.9	1.9	-3.9	-7.8
Gov't. purchases of goods & services	14.2	10.5	7.7	7.7	5.8	10.1	3.7	3.7	2.6
Federal	17.1	10.4	3.7	2.8	1.2	9.7	-2.7	-2.7	-5.0
Defense	19.5	9.0	2.7	1.0	0.0	10.0	-3.4	-3.4	-6.4
Other	8.3	15.9	7.6	9.2	5.4	8.9	0.0	0.0	0.0
State & local	11.4	10.7	11.7	13.0	10.3	10.4	9.8	9.6	9.4
GNP in constant (1958) dollars	2.4	5.0	3.1	2.8	2.6	1.5	1.0	-0.1	-0.5
Final sales	3.7	4.9	3.2	4.9	2.2	1.8	0.6	1.3	1.1
Private	1.9	4.5	3.4	5.3	2.2	2.1	0.8	2.0	1.6
GNP implicit deflator	3.1	3.8	4.3	4.3	4.3	5.0	3.7	3.5	3.2
Personal income	7.2	9.1	7.9	7.6	7.4	6.5	5.4	5.0	4.4
Wages and salaries	7.3	9.5	8.8	9.9	8.0	6.9	5.7	4.6	3.5
Disposable income	6.8	7.8	6.0	4.5	6.1	7.9	4.5	7.1	3.9
Corporate profits before tax	-4.7	13.1	3.3	3.3	-2.1	-2.1	-10.5	-17.2	-13.5
Federal government receipts and expenditures (N.I.A. basis)									
Receipts	5.7	17.0	13.2	21.6	7.9	-1.0	3.2	-11.1	1.4
Expenditures	14.9	11.4	6.1	6.0	4.8	7.7	0.2	1.6	2.4
Nonfarm payroll employment	3.0	3.0	3.2	4.7	2.9	1.7	1.1	0.6	0.0
Manufacturing	1.0	2.1	1.5	4.0	0.0	2.0	-2.0	-2.0	-2.0
Industrial production	1.2	4.2	5.0	6.6	6.1	3.0	1.8	-1.2	-3.2
Housing starts, private	10.9	16.7	1.2	28.2	-47.1	-16.9	-6.9	21.1	26.7
Sales new domestic autos	-9.7	14.0	-1.4	-20.4	9.0	2.0	-4.7	0.0	-7.1

\* Commerce estimates modified to reflect revised and later data.

CORPORATE SECURITY OFFERINGS<sup>1/</sup>  
MONTHLY OR MONTHLY AVERAGES  
(Millions of dollars)

	Public Bond Offerings		Private Bond Offerings		Stocks		Total	
	1968	1969	1968	1969	1968	1969	1968	1969
YEAR	894	--	554	--	382	--	1,830	--
Q I	821	886	574	513	330	674	1,726	2,073
Q II	1,035	1,127e	548	611e	319	702e	1,902	2,439e
June	1,340	1,210e	685	650e	385	700e	2,410	2,560e
July	1,244	1,300e	528	500e	372	800e	2,144	2,600e
Aug.	637	1,000e	400	500e	396	600e	1,433	2,100e

e/ Estimated.

1/ Data are gross proceeds.

Total corporate security offerings for July are estimated to reach \$2.6 billion, with the large volume of bond offerings supplemented by an increased schedule of new stock issues. The further increase in new equity offerings reflects a large issue scheduled by a major oil company on top of the continued large volume of very small issues reported in the last Greenbook. Estimates for August suggest a continued relatively large volume of corporate security offerings, after rough adjustment for seasonal factors; corporate volume traditionally declines significantly in August because of vacation schedules.

Yields in the tax-exempt market, where the forward calendar remains unusually light, did not rise from late June levels during early July. Although June new issues were somewhat larger than originally projected, they remained considerably smaller than in other recent months, and it is now estimated that July and August offerings will also remain significantly below \$1 billion.

LONG-TERM STATE AND LOCAL GOVERNMENT  
BOND OFFERINGS AND POSTPONEMENTS 1/  
Monthly or Monthly Averages  
(Millions of dollars)

	Gross Offerings		Postponements <u>2/</u>	
	1968	1969	1968	1969
YEAR	1,381	--	86	--
Q I	1,246	924	83	281
Q II	1,285	1,188e	125	172
June	1,395	700e	91	222
July	1,469	800e	10	--
August	1,699	700e	40	--

e/ Estimated.

1/ Data are for principal amounts of new issues.

2/ Imputed from published sources. Does not include issues postponed that were never officially scheduled.

The smaller volume reflects announced postponements and issues failing to reach the offering stage because of the level of yields. In many cases, State rate ceilings make it impossible for local governments to bring new issues to market, but apparently some of those with the flexibility to borrow have chosen to await a lower level of yields.

Other short-term credit markets. During June, short-term interest rates outside of the Treasury short-term bill market rose sharply further. Rates on 4- to 6-month commercial paper have made the greatest advances increasing from a level of 7.50 per cent at the end of May to around 8.63 per cent most recently. Three-month finance

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

	Fiscal 1969		Calendar	Fiscal 1970		Calendar quarter							
	May Budg.	FR.	year	May Budg.	FR.	1969				1970			
	Bureau est.	Bd	1969 <sup>e/</sup>	Bureau est.	Bd	I	II <sup>e/</sup>	III <sup>e/</sup>	IV <sup>e/</sup>	I	II <sup>e/</sup>		
<u>Quarterly data, unadjusted</u>													
New budget:													
Surplus/deficit	.9	1.0	6.8	6.3	2.5	- 2.0	13.3	.2	- 4.7	- 4.1	11.1		
Receipts	186.5	186.9	195.2	199.2	195.4	44.1	59.9	47.9	43.3	43.5	60.7		
Total expenditures and net lending	185.6	185.9	188.4	192.9	192.9	46.1	46.6	47.7	48.0	47.6	49.6		
Means of financing:													
Total borrowing from the public		- 1.0	{	n.e.	{		.1	-12.2	3.8	{	n.e.		
Decrease in cash operating balance		- .6				-	.1	- 1.1	-3.1				
Other <sup>1/</sup>	n.e.	.6					1.9	- .1	- .9				
Cash operating balance, end of period		5.9	{		{		4.8	5.9	9.0	{			
<u>Seasonally adjusted annual rate</u>													
Federal surplus/deficit													
in national income accounts	3.4 <sup>2/</sup>	3.5	6.9	6.3 <sup>2/</sup>	2.6	7.4	9.0	4.8	6.3	- .1	- .6		
Receipts	191.3	191.8	200.2	202.8	199.1	197.1	201.0	200.5	202.1	196.5	197.2		
Expenditures	188.0	188.4	193.3	196.5	196.5	189.7	192.0	195.7	195.8	196.6	197.8		
High-employment surplus/deficit <sup>3/</sup>	n.e.	1.0	6.5	n.e.	6.0	5.7	7.5	4.8	8.1	4.4	6.9		

e--Projected. Assumes extension of surcharge at 10 per cent through end of calendar year 1969 and at 5 per cent for January to June 1970. Also assumes repeal of investment tax credit.

n.e. - Not estimated.

n.a. - Not available.

<sup>1/</sup> Includes various accrual items, such as deposit fund accounts and clearing accounts.

<sup>2/</sup> National Income account translation estimated by Federal Reserve staff.

<sup>3/</sup> Estimated by Board staff using QIII 1969 as the base quarter.

PROJECTION OF TREASURY CASH OUTLOOK  
(In billions of dollars)

	June <sup>a/</sup>	July	Aug.	Sept.
<u>Borrowing operations</u>				
New cash raised:				
Weekly and months bills	--	--	--	--
Tax bills	--	3.5	1.5	--
Coupon issues	--	--	--	--
Other (agency, debt repayment, etc.)	-8.2	--	-1.2	--
Total net borrowing from public	-8.2	3.5	.3	--
Plus: Other net financial sources <sup>b/</sup>	.2	- .6	-1.3	1.0
Plus: <u>Budget surplus or deficit (-)</u>	8.2	-2.9	-1.6	4.7
Equals: <u>Change in cash balance</u>	.2	--	-2.6	5.7
Memoranda: Level of cash balance end of period	5.9	5.9	3.3	9.0
Derivation of budget surplus or deficit				
Budget receipts	23.0	12.0	14.8	21.1
Budget outlays	14.8	14.9	16.4	16.4

a/ Actual and estimated data.

b/ Checks issued less checks paid and other accrual items.