

CURRENT ECONOMIC and FINANCIAL CONDITIONS

**Prepared for the
Federal Open Market Committee**

By the Staff

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

January 8, 1969

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

January 8, 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)

	1967	1968 Proj.	1968				1969	
			I	II	III	IV	Projected	
							I	II
Gross National Product	789.7	861.3	831.2	852.9	871.0	890.0	904.0	915.0
Final sales	783.6	853.2	829.1	842.1	863.5	878.0	894.0	907.0
Private	605.2	656.2	638.6	646.4	663.9	675.9	687.8	698.6
Personal consumption expenditures	492.2	534.0	519.4	527.9	541.1	547.6	555.6	563.5
Durable goods	72.6	82.5	79.0	81.0	85.1	85.0	85.0	85.0
Nondurable goods	215.8	230.6	226.5	228.2	232.7	235.0	238.3	242.0
Services	203.8	220.9	213.9	218.7	223.4	227.6	232.3	236.5
Gross private domestic investment	114.3	127.8	119.7	127.3	127.1	137.0	139.4	138.1
Residential construction	24.6	29.9	29.1	29.5	29.5	31.6	33.1	32.3
Business fixed investment	83.6	89.8	88.6	87.0	90.1	93.4	96.3	97.8
Change in business inventories	6.1	8.1	2.1	10.8	7.5	12.0	10.0	8.0
Nonfarm	5.6	7.8	1.6	10.4	7.3	12.0	10.0	8.0
Net Exports	4.8	2.5	1.5	2.0	3.3	3.3	2.8	5.0
Gov't. purchases of goods & services	178.4	197.0	190.5	195.7	199.6	202.1	206.2	208.4
Federal	90.6	100.0	97.1	100.0	101.2	101.5	103.0	103.0
Defense	72.4	78.9	76.8	79.0	79.6	80.0	81.0	81.0
Other	18.2	21.1	20.3	21.0	21.5	21.5	22.0	22.0
State & local	87.8	97.0	93.4	95.6	98.4	100.6	103.2	105.4
Gross national product in constant (1958) dollars	673.1	707.3	692.7	703.4	712.3	720.8	725.4	728.1
GNP implicit deflator (1958=100)	117.3	121.8	120.0	121.2	122.3	123.5	124.6	125.7
Personal income	628.8	685.6	662.7	678.1	694.3	707.2	718.0	728.5
Wages and salaries	423.4	463.2	448.3	457.6	469.0	478.0	486.9	494.5
Disposable income	546.3	588.7	574.4	586.3	592.7	601.5	608.0	615.6
Personal saving	40.2	40.3	40.8	44.0	37.1	39.2	37.3	36.9
Saving rate (per cent)	7.4	6.8	7.1	7.5	6.3	6.5	6.1	6.0
Corporate profits before tax	81.6	92.7	88.9	91.8	92.7	97.5	95.0	93.0
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	151.2	177.2	166.6	171.8	182.1	188.3	194.7	196.8
Expenditures	163.6	182.3	175.1	181.9	184.9	187.3	189.7	190.3
Surplus or deficit (-)	-12.4	-5.1	-8.6	-10.2	-2.8	1.0	5.0	6.5
Total labor force (millions)	80.8	82.3	81.9	82.2	82.4	82.6	83.1	83.5
Armed forces "	3.4	3.5	3.5	3.5	3.6	3.5	3.5	3.5
Civilian labor force "	77.3	78.8	78.4	78.7	78.8	79.1	79.6	80.0
Unemployment rate (per cent)	3.8	3.6	3.6	3.6	3.6	3.4	3.6	3.9
Nonfarm payroll employment (millions)	66.0	68.1	67.4	67.8	68.3	68.9	69.3	69.5
Manufacturing	19.4	19.8	19.6	19.7	19.8	19.9	19.9	19.8
Industrial production (1957-59=100)	158.1	164.7	162.1	164.2	165.2	167.4	169.0	169.6
Capacity utilization, manufacturing (per cent)	85.3	84.5	84.9	84.8	84.0	84.1	83.7	83.0
Housing starts, private (millions A.R.)	1.29	1.53	1.50	1.44	1.55	1.63	1.73	1.53
Sales new domestic autos (millions, A.R.)	7.57	8.59	8.19	8.44	9.01	8.72	8.75	8.50

January 8, 1969

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1967	1968	1968				1969	
		Proj.	I	II	III	Projected IV	I	II
-----In billions of dollars-----								
Gross National Product	42.1	71.6	20.2	21.7	18.1	19.0	14.0	11.0
Inventory change	-8.6	2.0	-6.2	8.7	-3.3	4.5	-2.0	-2.0
Final sales	50.8	69.6	26.4	13.0	21.4	14.5	16.0	13.0
Private	28.6	51.0	19.4	7.8	17.5	12.0	11.9	10.8
Government	22.2	18.6	7.0	5.2	3.9	2.5	4.1	2.2
GNP in constant (1958) dollars	16.0	34.2	10.9	10.7	8.9	8.5	4.6	2.7
Final sales	24.0	32.7	16.9	2.8	12.0	4.3	6.5	4.5
Private	9.8	24.3	12.4	0.1	11.1	3.9	5.0	6.0
-----In Per Cent Per Year-----								
Gross National Product	5.6	9.1	10.0	10.4	8.5	8.7	6.3	4.9
Final sales	6.9	8.9	13.2	6.3	10.2	6.7	7.3	5.8
Private	5.0	8.4	12.5	4.9	10.8	7.2	7.0	6.3
Personal consumption expenditures	5.7	8.5	13.7	6.5	10.0	4.8	5.8	5.7
Durable goods	3.0	13.6	25.9	10.1	20.2	-0.5	0.0	0.0
Nondurable goods	4.4	6.9	14.8	3.0	7.9	4.0	5.6	6.2
Services	8.2	8.4	8.2	9.0	8.6	7.5	8.3	7.2
Gross private domestic investment	-5.4	11.8	-6.9	25.4	-0.6	31.2	7.0	-3.7
Residential construction	-0.8	21.5	8.4	5.5	0.0	28.5	19.0	-9.7
Business fixed investment	2.8	7.4	16.9	-7.2	14.3	14.6	12.4	6.2
Gov't. purchases of goods & services	14.2	10.4	15.3	10.9	8.0	5.0	8.1	4.3
Federal	17.1	10.4	15.4	11.9	4.8	1.2	5.9	0.0
Defense	19.5	9.0	11.8	11.5	3.0	2.0	5.0	0.0
Other	8.3	15.9	27.4	13.8	9.5	0.0	9.3	0.0
State & local	11.4	10.5	15.1	9.4	11.7	8.9	10.3	8.5
GNP in constant (1958) dollars	2.4	5.1	6.4	6.2	5.0	4.8	2.6	1.5
Final sales	3.7	4.9	10.0	1.6	6.9	2.4	3.7	2.5
Private	1.9	4.6	9.3	0.1	8.2	2.8	3.6	4.3
GNP implicit deflator	3.1	3.8	3.5	4.2	3.4*	3.9	3.7	3.4
Personal income	7.2	9.0	10.8	9.3	9.6	7.4	6.1	5.8
Wages and salaries	7.3	9.4	10.9	8.3	10.0	7.7	7.4	6.2
Disposable income	6.8	7.8	10.6	8.3	4.4	5.9	4.3	5.0
Corporate profits before tax	-4.7	13.6	16.4	13.0	1.7	20.7	-10.3	-8.4
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	5.7	17.2	26.1	12.5	23.5	13.6	13.6	4.3
Expenditures	14.9	11.4	15.4	15.5	6.6	5.2	5.1	1.3
Nonfarm payroll employment	3.1	3.2	4.2	2.4	2.9	3.5	2.3	1.2
Manufacturing	1.0	2.1	2.0	2.0	2.0	2.0	0.0	-2.0
Industrial production	1.2	4.2	6.0	5.2	2.4	5.2	3.8	1.4
Housing starts, private	10.9	18.4	15.5	-16.3	29.7	21.5	23.3	-46.4
Sales new domestic autos	-9.7	13.5	40.6	12.0	27.3	-12.9	1.4	-11.4

* Excluding Federal pay increase, 2.8 per cent.

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

	Fiscal years			1967		1968				1969	
	1967	1968	FR Board 1969 ^{e/}	III	IV	I	II	III	IV ^{e/}	I ^{e/}	II ^{e/}
<u>Quarterly data, unadjusted</u>											
New budget:											
Surplus/deficit	-8.8	-25.2	-2.1	-8.9	-10.6	-8.6	2.9	-3.2	-7.8	-3.4	12.4
Receipts	149.6	153.7	184.6	35.3	32.0	36.2	50.1	43.6	38.9	43.0	59.1
Total expenditures and net lending	158.4	178.9	186.7	44.1	42.7	44.8	47.2	46.9	46.8	46.4	46.7
Means of financing:											
Total borrowing from the public	2.9	23.1	4.2	8.5	10.5	6.7	-2.6	7.7	3.6	1.5	-8.6
Decrease in cash operating balance	5.2	.4	-3.2	-1.0	1.1	.2	.1	-3.3	3.9	.7	-4.5
Other <u>1/</u>	.7	1.7	1.1	1.4	-1.0	1.8	-.4	-1.1	.3	1.2	.7
Cash operating balance, end of period	5.7	5.3	8.5	6.7	5.6	5.4	5.3	8.6	4.7	4.0	8.5
<u>Seasonally adjusted annual rate</u>											
Federal surplus/deficit											
in national income accounts	-6.7	-11.9	2.4	-12.9	-12.2	-8.6	-10.2	-2.8	1.0	5.0	6.5
Receipts <u>2/</u>	147.8	160.8	190.5	152.2	156.4	166.6	171.8	182.1	188.3	194.7	196.8
Expenditures	154.3	172.7	188.1	165.1	168.6	175.1	181.9	184.9	187.3	189.7	190.3

e--Projected.

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

2/ Retroactive corporate surtax liability is included beginning first quarter 1968. Quarterly receipts do not add to fiscal year totals due to seasonal adjustment of social security taxes.

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SECOND SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

January 13, 1969

Department of Commerce preliminary estimates for 1968 and 1968-IV.
(For release January 14, 1969).

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January 13, 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)

	1967	1968p	1968			
			I	II	III	IVP
Gross National Product	789.7	860.7	831.2	852.9	871.0	887.8
Final sales	783.6	853.1	829.1	842.1	863.5	877.8
Private	605.2	656.0	638.6	646.4	663.9	675.3
Personal consumption expenditures	492.2	533.7	519.4	527.9	541.1	546.3
Durable goods	72.6	82.5	79.0	81.0	85.1	84.8
Nondurable goods	215.8	230.2	226.5	228.2	232.7	233.5
Services	203.8	221.0	213.9	218.7	223.4	228.0
Gross private domestic investment	114.3	127.5	119.7	127.3	127.1	136.1
Residential construction	24.6	30.0	29.1	29.5	29.5	31.8
Business fixed investment	83.6	90.0	88.6	87.0	90.1	94.2
Change in business inventories	6.1	7.6	2.1	10.8	7.5	10.0
Nonfarm	5.6	7.2	1.6	10.4	7.3	9.2
Net Exports	4.8	2.4	1.5	2.0	3.3	3.0
Gov't. purchases of goods & services	178.4	197.1	190.5	195.7	199.6	202.5
Federal	90.6	100.0	97.1	100.0	101.2	101.6
Defense	72.4	78.9	76.8	79.0	79.6	80.0
Other	18.2	21.1	20.3	21.0	21.5	21.6
State & local	87.8	97.1	93.4	95.6	98.4	100.8
Gross national product in constant (1958) dollars	673.1	706.9	692.7	703.4	712.3	719.1
GNP implicit deflator (1958=100)	117.3	121.8	120.0	121.2	122.3	123.5
Personal income	628.8	685.8	662.7	678.1	694.3	708.2
Wages and salaries	423.4	463.5	448.3	457.6	469.0	479.0
Disposable income	546.3	589.0	574.4	586.3	592.7	602.5
Personal saving	40.2	40.8	40.8	44.0	37.1	41.4
Saving rate (per cent)	7.4	6.9	7.1	7.5	6.3	6.9
Corporate profits before tax	81.6	92.3	88.9	91.8	92.7	95.8*
Federal government receipts and expenditures (N.I.A. basis)						
Receipts	151.2	176.9	166.6	171.8	182.1	187.1*
Expenditures	163.6	182.2	175.1	181.9	184.9	186.8
Surplus or deficit (-)	-12.4	-5.3	-8.6	-10.2	-2.8	0.3*

* Projected.

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1967	1968p	1968			
			I	II	III	IVp
	-----In billions of dollars-----					
Gross National Product	42.1	71.0	20.2	21.7	18.1	16.8
Inventory change	-8.6	1.5	-6.2	8.7	-3.3	2.5
Final sales	50.8	69.5	26.4	13.0	21.4	14.3
Private	28.6	50.8	19.4	7.8	17.5	11.4
Government	22.2	18.7	7.0	5.2	3.9	2.9
GNP in constant (1958) dollars	16.0	33.8	10.9	10.7	8.9	6.8
Final sales	24.0	32.7	16.9	2.8	12.0	4.5
Private	9.8	24.2	12.4	0.1	11.1	3.6
	-----In Per Cent Per Year -----					
Gross National Product	5.6	9.0	10.0	10.4	8.5	7.7
Final sales	6.9	8.9	13.2	6.3	10.2	6.6
Private	5.0	8.4	12.5	4.9	10.8	6.9
Personal consumption expenditures	5.7	8.4	13.7	6.5	10.0	3.8
Durable goods	3.0	13.6	25.9	10.1	20.2	-1.4
Nondurable goods	4.4	6.7	14.8	3.0	7.9	1.4
Services	8.2	8.4	8.2	9.0	8.6	8.2
Gross private domestic investment	-5.4	11.5	-6.9	25.4	-0.6	28.3
Residential construction	-0.8	22.0	8.4	5.5	0.0	31.2
Business fixed investment	2.8	7.7	16.9	-7.2	14.3	18.2
Gov't. purchases of goods & services	14.2	10.5	15.3	10.9	8.0	5.8
Federal	17.1	10.4	15.4	11.9	4.8	1.6
Defense	19.5	9.0	11.8	11.5	3.0	2.0
Other	8.3	15.9	27.4	13.8	9.5	1.9
State & local	11.4	10.6	15.1	9.4	11.7	9.8
GNP in constant (1958) dollars	2.4	5.0	6.4	6.2	5.0	3.8
Final sales	3.7	4.9	10.0	1.6	6.9	2.6
Private	1.9	4.6	9.3	0.1	8.2	2.6
GNP implicit deflator	3.1	3.8	3.5	4.2	3.4	3.9
Personal income	7.2	9.1	10.8	9.3	9.6	8.0
Wages and salaries	7.3	9.5	10.9	8.3	10.0	8.5
Disposable income	6.8	7.8	10.6	8.3	4.4	6.6
Corporate profits before tax	-4.7	13.1	16.4	13.0	1.7	13.4*
Federal government receipts and expenditures (N.I.A. basis)						
Receipts	5.7	17.0	26.1	12.5	23.5	11.0*
Expenditures	14.9	11.4	15.4	15.5	6.6	4.1

* Projected.