

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**

August 6, 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	IIp	Projected		I	II
Gross National Product	793.5	865.7	931.6	908.7	925.1	940.6	952.1	959.9	966.2
Final sales	786.2	858.4	923.3	902.1	915.6	931.6	943.8	954.9	963.2
Private excluding net exports	600.9	655.6	706.1	690.6	701.1	711.6	721.2	728.8	735.3
Personal consumption expenditures	492.3	536.6	576.1	562.0	570.7	581.0	590.8	600.0	607.6
Durable goods	73.0	83.3	89.6	88.4	90.4	89.8	89.8	89.3	88.5
Nondurable goods	215.1	230.6	244.4	238.6	240.6	246.6	251.7	256.7	260.5
Services	204.2	222.8	242.2	235.0	239.8	244.6	249.3	254.0	258.6
Gross private domestic investment	116.0	126.3	138.4	135.2	139.9	139.6	138.7	133.8	130.7
Residential construction	25.0	30.2	31.8	33.2	32.4	31.1	30.4	29.8	30.7
Business fixed investment	83.7	88.8	98.2	95.3	98.0	99.5	100.0	99.0	97.0
Change in business inventories	7.4	7.3	8.4	6.6	9.5	9.0	8.3	5.0	3.0
Nonfarm	6.8	7.4	8.3	6.6	9.3	9.0	8.3	5.0	3.0
Net exports of goods and services	5.2	2.5	2.0	1.5	2.0	2.0	2.5	4.0	4.5
Gov't. purchases of goods & services	180.1	200.3	215.2	210.0	212.5	218.0	220.1	222.1	223.4
Federal	90.7	99.5	101.9	101.6	100.6	103.1	102.4	101.7	100.4
Defense	72.4	78.0	79.6	79.0	78.7	80.7	80.0	79.3	78.0
Other	18.4	21.5	22.3	22.6	21.9	22.4	22.4	22.4	22.4
State & local	89.3	100.7	113.3	108.5	111.9	114.9	117.7	120.4	123.0
Gross national product in constant (1958) dollars	674.6	707.6	728.2	723.1	727.3	730.1	732.2	731.8	730.8
GNP implicit deflator (1958=100)	117.6	122.3	127.9	125.7	127.2	128.8	130.0	131.2	132.2
Personal income	629.4	687.9	746.5	724.4	740.7	754.8	764.9	775.3	783.9
Wages and salaries	423.5	465.0	509.1	493.3	504.1	515.5	523.4	529.5	535.1
Disposable income	546.5	590.0	628.7	610.7	623.0	636.8	644.3	656.4	662.8
Personal saving	40.4	38.4	36.4	33.0	36.4	39.4	36.9	39.5	38.0
Saving rate (per cent)	7.4	6.5	5.8	5.4	5.8	6.2	5.7	6.0	5.7
Corporate profits before tax	80.3	91.1	93.0	95.5	94.5	92.5	89.5	85.0	81.0
Federal government receipts and expenditures (N.I.A. basis)									
Receipts	151.1	176.3	200.5	198.1	201.3	200.7	202.0	196.4	196.7
Expenditures	163.8	181.5	192.0	189.0	190.5	194.0	194.3	195.4	196.6
Surplus or deficit (-)	-12.7	-5.2	8.5	9.1	10.8	6.7	7.7	1.0	0.1
Total labor force (millions)	80.8	82.3	84.2	83.7	83.8	84.4	84.7	85.0	85.2
Armed forces "	3.4	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Civilian labor force "	77.2	78.7	80.7	80.2	80.3	80.9	81.2	81.5	81.7
Unemployment rate (per cent)	3.8	3.6	3.6	3.3	3.5	3.7	3.9	4.1	4.5
Nonfarm payroll employment (millions)	65.9	67.9	70.3	69.5	70.0	70.6	70.9	71.0	70.8
Manufacturing	19.4	19.8	20.2	20.1	20.1	20.3	20.2	20.1	19.9
Industrial production (1957-59=100)	158.1	165.4	174.1	170.2	172.8	174.2	175.0	174.0	173.0
Capacity utilization, manufacturing (per cent)	85.3	84.5	82.2	84.5	84.6	84.0	83.3	81.7	80.0
Housing starts, private (millions A.R.)	1.29	1.51	1.49	1.72	1.51	1.41	1.35	1.40	1.45
Sales new domestic autos (millions, A.R.)	7.57	8.62	8.38	8.37	8.54	8.35	8.25	8.00	8.00

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1967	1968	1969 Proj.	1969				1970	
				I	IIp	Projected		I	II
						III	IV		
-----In Billions of Dollars-----									
Gross National Product	43.6	72.2	65.9	16.2	16.4	15.5	11.5	7.8	6.3
Inventory change	-7.4	-0.1	1.1	-3.9	2.9	-0.5	-0.7	-3.3	-2.0
Final sales	51.1	72.2	64.9	20.1	13.5	16.0	12.2	11.1	8.3
Private excluding net exports	27.9	54.7	50.5	16.5	10.5	10.5	9.6	7.6	6.5
Net exports	-0.1	-2.7	-0.5	0.3	0.5	0.0	0.5	1.5	0.5
Government	23.3	20.2	14.9	3.3	2.5	5.5	2.1	2.0	1.3
GNP in constant (1958) dollars	16.5	33.0	20.6	4.6	4.2	2.8	2.1	-0.4	-1.0
Final sales	23.5	33.3	19.9	8.2	1.9	3.3	2.3	2.5	0.8
Private	10.0	24.9	17.8	7.8	2.5	2.7	2.3	2.3	1.5
-----In Per Cent Per Year-----									
Gross National Product	5.8	9.1	7.6	7.3	7.2	6.7	4.9	3.3	2.6
Final sales	7.0	9.2	7.6	9.1	6.0	7.0	5.2	4.7	3.5
Private	6.1	8.5	7.6	9.9	6.4	6.0	5.7	5.0	3.8
Personal consumption expenditures	5.6	9.0	7.4	8.2	6.2	7.2	6.7	6.2	5.1
Durable goods	3.1	14.1	7.6	9.7	9.0	-2.7	0.0	-2.2	-3.6
Nondurable goods	4.0	7.2	6.0	7.3	3.4	10.0	8.3	7.9	5.9
Services	8.3	9.1	8.7	8.5	8.2	8.0	7.7	7.5	7.2
Gross private domestic investment	-4.4	8.9	9.6	3.9	13.9	-0.9	-2.6	-14.1	-9.3
Residential construction	0.0	20.8	5.3	17.6	-10.8	-16.0	-9.0	-7.9	12.1
Business fixed investment	2.6	6.1	10.6	16.6	11.3	6.1	2.0	-4.0	-8.1
Gov't. purchases of goods & services	14.9	11.2	7.4	6.4	4.8	10.4	3.9	3.6	2.3
Federal	16.6	9.7	2.4	-1.2	-3.9	9.9	-2.7	-2.7	-5.1
Defense	19.3	7.7	2.1	-1.5	-1.5	10.2	-3.5	-3.5	-6.6
Other	7.6	16.8	3.7	1.8	-12.4	9.1	0.0	0.0	0.0
State & local	13.0	12.8	12.5	14.1	12.5	10.7	9.7	9.2	8.6
GNP in constant (1958) dollars	2.5	4.9	2.9	2.5	2.4	1.5	1.1	-0.2	-0.6
Final sales	3.6	5.0	2.8	4.6	1.1	1.8	1.3	1.4	0.4
Private	1.9	4.7	3.2	5.6	1.8	1.9	1.6	1.6	1.0
GNP implicit deflator	3.2	4.0	4.6	4.7	4.8	5.1*	3.8	3.5	3.2
Personal income	7.2	9.3	8.5	7.4	9.0	7.6	5.4	5.4	4.4
Wages and salaries	7.4	9.8	9.5	9.3	8.8	9.0	6.1	4.7	4.2
Disposable income	6.8	8.0	6.6	4.2	8.1	8.9	4.7	7.5	3.9
Corporate profits before tax	-4.6	13.4	2.1	4.2	-4.2	-8.5	-13.0	-20.1	-18.8
Federal government receipts and expenditures (N.I.A. basis)									
Receipts	6.0	16.7	13.7	23.1	6.5	-1.2	2.6	-11.1	0.6
Expenditures	14.7	10.8	5.8	3.4	3.2	7.3	0.6	2.3	2.5
Nonfarm payroll employment	3.0	3.0	3.5	4.7	2.9	3.4	1.7	0.6	-1.1
Manufacturing	1.0	2.1	2.0	4.0	0.0	4.0	-2.0	-2.0	-4.0
Industrial production	1.2	4.6	5.3	6.7	6.1	3.2	1.8	-2.3	-2.3
Housing starts, private	10.9	16.7	-1.3	28.2	-49.2	-25.8	-16.5	14.8	14.3
Sales new domestic autos	-9.7	14.0	-5.0	-20.4	8.4	-9.1	-4.8	-12.1	0.0

* Excluding Federal pay increase 4.0 per cent.

PROJECTION OF TREASURY CASH OUTLOOK
(In billions of dollars)

	June ^{a/}	July	Aug.	Sept.
<u>Borrowing operations</u>				
New cash raised:				
Weekly and monthly bills	--	--	--	--
Tax bills	--	3.5	2.0	--
Coupon issues	--	--	--	--
Other (agency, debt repayment, etc.)	-8.6	- .2	-1.2	--
Total net borrowing from public	-8.6	3.3	.8	--
Plus: Other net financial sources ^{b/}	-1.3	- .6	- .9	.7
Plus: <u>Budget surplus or deficit (-)</u>	10.1	-2.9	-1.6	4.7
Equals: <u>Change in cash balance</u>	.2	- .2	-1.7	5.4
Memoranda: Level of cash balance				
end of period	5.9	5.7	4.0	9.4
Derivation of budget				
surplus or deficit				
Budget receipts	23.9	12.0	14.8	21.1
Budget outlays	13.7	14.9	16.4	16.4

a/ Actual

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

Balance of Payments ^{1/}
(millions of dollars, seasonally adjusted)

	Year	1 I	9 II	6 III	8 IV	1 I	9 IIe
Merchandise excluding military							
Exports	33,598	7,941	8,395	8,879	8,383	7,474	9,644
Imports	-32,972	-7,817	-8,131	-8,566	-8,458	-7,577	-9,619
Net	626	124	264	313	-75	-103	25
U.S. purchases (-) of foreign securities	-1,266	-311	-164	-337	-455	-325	-400 ^e
Claims reported by U.S. banks (increase(-))	269	236	243	-90	-120	71	-460 ^e
Foreign purchases of U.S. corporate stock	2,084	309	530	459	786	731	120 ^e
Foreign purchases of other U.S. securities, excluding Treasury issues	2,276	530	586	656	504	635	180 ^e
"Special" Government transactions							
Nonscheduled debt repayments	269	42	3	55	169	44	--
Nonliquid U.S. bank liabilities ^{2/}	590	56	175	119	240	-51	-179
Nonliquid U.S. Government liabilities	2,010	273	772	409	556	100	-126
Liquid liabilities to private foreign accounts	3,887	548	2,381	796	162	2,898	4,689
Liquid liabilities to official foreign accts.	-3,100	-888	-2,193	-63	44	-1,146	-556
U.S. reserve assets (increase(-))	-880	904	-137	-571	-1,076	-48	-299
Other transactions (derived as <u>residual</u>)	-6,765	-1,823	-2,460	-1,746	-735	-2,806	-2,994
Balances (deficit(-))							
Official settlements balance	1,639	-379	1,553	97	368	1,151	1,214
Liquidity balance	93	-564	-51	-162	870	-1,704	-3,834
Adjusted over-all balance	-1,811	-844	-812	-635	480	-1,858	-3,527

^{e/} Partially estimated.

^{1/} Items available, or partially estimated, for second quarter of 1969 as of end of July.

^{2/} Includes some non-official transactions.

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

	FY 1969	Calendar	Fiscal 1970		Calendar quarter					
		year	May Budget	F.R.	1969				1970	
	Actual	1969 ^{e/}	Bureau est.	Bd	I	II	III ^{e/}	IV ^{e/}	I ^{e/}	II ^{e/}
<u>Quarterly data, unadjusted</u>										
New budget:										
Surplus/deficit	3.1	8.9	6.3	2.5	-2.0	15.3	.2	-4.6	-4.5	11.4
Receipts-	187.8	196.1	199.2	195.4	44.1	60.8	47.9	43.3	43.2	61.0
Total expenditures and net lending	184.8	187.2	192.9	192.9	46.1	45.5	47.7	47.9	47.7	49.6
Means of financing:										
Total borrowing from the public	-1.4 ^{1/}	-7.3		n.e.	.2	-12.6	4.1	1.0	n.e.	n.e.
Decrease in cash operating balance	- .6	-1.2		n.e.	- .1	- 1.1	-3.5	3.5	n.e.	n.e.
Other ^{2/}	-1.1	- .5		1.1	1.9	- 1.7	- .8	.1	1.9	- .1
Cash operating balance, end of period	5.9	5.9		n.e.	4.8	5.9	9.4	5.9	n.e.	n.e.
<u>Seasonally adjusted annual rate</u>										
Federal surplus/deficit in national income accounts ^{3/}	3.6 ^{e/}	8.6	6.3 ^{3/}	3.2	9.1	10.8	6.7	7.7	1.0	.1
Receipts	191.7 ^{e/}	200.5	202.8	198.6	198.1	201.3	200.7	202.0	196.4	196.7
Expenditures	188.1 ^{e/}	192.0	196.5	195.4	189.0	190.5	194.0	194.3	195.4	196.6
High-employment surplus/deficit ^{4/}	1.1	8.2	n.e.	6.6	7.4	9.3	6.7	9.5	5.5	7.6

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.

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

^{2/} Includes various accrual items, such as deposit fund accounts and clearing accounts.

^{3/} National Income account translation estimated by Federal Reserve staff.

^{4/} Estimated by Board staff using CIII 1969 as the base quarter.

PROJECTION OF TREASURY CASH OUTLOOK
(In billions of dollars)

	June ^{a/}	July	Aug.	Sept.
<u>Borrowing operations</u>				
New cash raised:				
Weekly and months bills	--	--	--	--
Tax bills	--	3.5	2.0	--
Coupon issues	--	--	--	--
Other (agency, debt repayment, etc.)	-8.6	- .2	-1.2	--
Total net borrowing from public	-8.6	3.3	.8	--
Plus: Other net financial sources ^{b/}	-1.3	- .6	- .9	.7
Plus: <u>Budget surplus or deficit (-)</u>	10.1	-2.9	-1.6	4.7
Equals: <u>Change in cash balance</u>	.2	- .2	-1.7	5.4
Memoranda: Level of cash balance				
end of period	5.9	5.7	4.0	9.4
Derivation of budget				
surplus or deficit				
Budget receipts	23.9	12.0	14.8	21.1
Budget outlays	13.7	14.9	16.4	16.4

a/ Actual

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