

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**

April 23, 1969

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CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
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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 | 1968 | | 1969 | | | |
|--|-------|-------|-------|-------|-------|-------|-----------|-------|-------|
| | | | Proj. | III | IV | Ip | Projected | | |
| | | | | | | | II | III | IV |
| Gross National Product | 789.7 | 860.6 | 925.4 | 871.0 | 887.4 | 903.4 | 919.0 | 933.5 | 945.5 |
| Final sales | 783.6 | 852.9 | 918.7 | 863.5 | 876.8 | 897.0 | 914.0 | 926.5 | 937.0 |
| Private domestic | 600.4 | 653.7 | 703.9 | 660.6 | 672.8 | 690.8 | 698.7 | 708.6 | 717.3 |
| Net exports | 4.8 | 2.0 | 3.2 | 3.3 | 1.0 | 0.0 | 6.0 | 3.3 | 3.3 |
| Personal consumption expenditures | 492.2 | 533.8 | 571.6 | 541.1 | 546.8 | 558.4 | 566.7 | 576.6 | 584.8 |
| Durable goods | 72.6 | 82.5 | 87.7 | 85.1 | 85.1 | 86.9 | 87.0 | 88.0 | 88.7 |
| Nondurable goods | 215.8 | 230.3 | 245.3 | 232.7 | 233.7 | 239.1 | 243.1 | 247.8 | 251.0 |
| Services | 203.8 | 221.0 | 238.7 | 223.4 | 228.0 | 232.4 | 236.6 | 240.8 | 245.1 |
| Gross private domestic investment | 114.3 | 127.7 | 139.0 | 127.1 | 136.6 | 138.9 | 137.0 | 139.0 | 141.0 |
| Residential construction | 24.6 | 29.9 | 31.2 | 29.5 | 31.6 | 32.7 | 31.7 | 30.5 | 30.0 |
| Business fixed investment | 83.6 | 90.0 | 101.0 | 90.1 | 94.3 | 99.8 | 100.3 | 101.5 | 102.5 |
| Change in business inventories | 6.1 | 7.7 | 6.7 | 7.5 | 10.6 | 6.4 | 5.0 | 7.0 | 8.5 |
| Nonfarm | 5.6 | 7.3 | 6.5 | 7.3 | 9.7 | 5.6 | 5.0 | 7.0 | 8.5 |
| Net Exports | 4.8 | 2.0 | 3.2 | 3.3 | 1.0 | 0.0 | 6.0 | 3.3 | 3.3 |
| Gov't. purchases of goods & services | 178.4 | 197.2 | 211.6 | 199.6 | 203.0 | 206.2 | 209.3 | 214.6 | 216.4 |
| Federal | 90.6 | 100.0 | 103.8 | 101.2 | 101.7 | 102.3 | 102.7 | 105.4 | 104.7 |
| Defense | 72.4 | 78.9 | 81.0 | 79.6 | 80.0 | 80.3 | 80.0 | 82.2 | 81.5 |
| Other | 18.2 | 21.1 | 22.8 | 21.5 | 21.7 | 22.0 | 22.7 | 23.2 | 23.2 |
| State & local | 87.8 | 97.2 | 107.8 | 98.4 | 101.2 | 103.9 | 106.6 | 109.2 | 111.7 |
| Gross national product in constant (1958) dollars | 673.1 | 706.7 | 729.8 | 712.3 | 718.4 | 723.6 | 729.0 | 731.7 | 734.7 |
| GNP implicit deflator (1958=100) | 117.3 | 121.8 | 126.8 | 122.3 | 123.5 | 124.8 | 126.1 | 127.6 | 128.7 |
| Personal income | 628.8 | 685.8 | 740.1 | 694.3 | 708.2 | 721.4 | 734.4 | 747.5 | 757.0 |
| Wages and salaries | 423.4 | 463.5 | 504.9 | 469.0 | 479.0 | 490.5 | 500.8 | 510.9 | 517.4 |
| Disposable income | 546.3 | 589.0 | 624.4 | 592.7 | 602.4 | 608.6 | 618.3 | 631.8 | 638.9 |
| Personal saving | 40.2 | 40.7 | 37.6 | 37.1 | 40.9 | 35.3 | 36.5 | 40.0 | 38.6 |
| Saving rate (per cent) | 7.4 | 6.9 | 6.0 | 6.3 | 6.8 | 5.8 | 5.9 | 6.3 | 6.0 |
| Corporate profits before tax | 81.6 | 92.3 | 93.7 | 92.7 | 95.7 | 95.2 | 94.7 | 93.2 | 91.7 |
| Federal government receipts and expenditures (N.I.A. basis) | | | | | | | | | |
| Receipts | 151.2 | 176.9 | 199.8 | 182.1 | 187.0 | 197.1 | 200.5 | 199.7 | 201.8 |
| Expenditures | 163.6 | 182.2 | 193.2 | 184.9 | 186.9 | 189.5 | 192.1 | 195.6 | 195.6 |
| Surplus or deficit (-) | -12.4 | -5.4 | 6.6 | -2.8 | 0.2 | 7.6 | 8.4 | 4.1 | 6.2 |
| Total labor force (millions) | 80.8 | 82.3 | 84.0 | 82.4 | 82.6 | 83.7 | 83.9 | 84.1 | 84.3 |
| Armed forces " | 3.4 | 3.5 | 3.5 | 3.6 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 |
| Civilian labor force " | 77.3 | 78.7 | 80.5 | 78.8 | 79.1 | 80.2 | 80.4 | 80.6 | 80.8 |
| Unemployment rate (per cent) | 3.8 | 3.6 | 3.5 | 3.6 | 3.4 | 3.3 | 3.4 | 3.6 | 3.8 |
| Nonfarm payroll employment (millions) | 66.0 | 68.1 | 70.3 | 68.3 | 69.0 | 69.9 | 70.1 | 70.4 | 70.6 |
| Manufacturing | 19.4 | 19.7 | 20.0 | 19.8 | 19.9 | 20.1 | 20.0 | 19.9 | 19.8 |
| Industrial production (1957-59=100) | 158.1 | 164.7 | 172.0 | 165.2 | 167.4 | 169.7 | 172.0 | 172.6 | 173.5 |
| Capacity utilization, manufacturing (per cent) | 85.3 | 84.5 | 83.7 | 84.0 | 84.2 | 84.1 | 84.0 | 83.5 | 83.0 |
| Housing starts, private (millions A.R.) | 1.29 | 1.51 | 1.53 | 1.55 | 1.60 | 1.70 | 1.53 | 1.40 | 1.40 |
| Sales new domestic autos (millions, A.R.) | 7.57 | 8.62 | 8.55 | 9.01 | 8.82 | 8.37 | 8.50 | 8.60 | 8.75 |

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CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

| | 1967 | 1968 | 1969 | 1968 | | 1969 | | | |
|---|------|------|-------|-------------------|------|-------|-----------|--------------------|------|
| | | | Proj. | III | IV | Ip | Projected | | |
| | | | | | | | II | III | IV |
| -----In Billions of Dollars----- | | | | | | | | | |
| Gross National Product | 42.1 | 70.9 | 64.8 | 18.1 | 16.4 | 16.0 | 15.6 | 14.5 | 12.0 |
| Inventory change | -8.6 | 1.6 | -1.0 | -3.2 | 3.1 | -4.2 | -1.4 | 2.0 | 1.5 |
| Final sales | 50.8 | 69.3 | 65.8 | 21.4 | 13.3 | 20.2 | 17.0 | 12.5 | 10.5 |
| Private domestic | 28.8 | 53.3 | 50.2 | 16.2 | 12.2 | 18.0 | 7.9 | 9.9 | 8.7 |
| Net exports | -.3 | -2.8 | 1.2 | 1.3 | -2.3 | -1.0 | 6.0 | -2.7 | 0.0 |
| Government | 22.2 | 18.8 | 14.4 | 3.9 | 3.4 | 3.2 | 3.1 | 5.3 | 1.8 |
| GNP in constant (1958) dollars | 16.0 | 33.6 | 23.1 | 8.9 | 6.1 | 5.2 | 5.4 | 2.7 | 3.0 |
| Final sales | 24.0 | 32.4 | 24.4 | 12.0 | 3.2 | 9.2 | 7.1 | 0.7 | 1.8 |
| Private | 9.8 | 23.9 | 20.6 | 11.1 | 2.1 | 8.4 | 6.3 | -0.1 | 1.8 |
| -----In Per Cent Per Year----- | | | | | | | | | |
| Gross National Product | 5.6 | 9.0 | 7.5 | 8.5 | 7.5 | 7.2 | 6.9 | 6.3 | 5.1 |
| Final sales | 6.9 | 8.8 | 7.7 | 10.2 | 6.2 | 9.2 | 7.6 | 5.5 | 4.5 |
| Private | 5.0 | 8.3 | 7.8 | 10.8 | 6.0 | 10.1 | 8.0 | 4.1 | 4.9 |
| Personal consumption expenditures | 5.7 | 8.5 | 7.1 | 10.0 | 4.2 | 8.5 | 5.9 | 7.0 | 5.7 |
| Durable goods | 3.0 | 13.6 | 6.3 | 20.2 | 0.0 | 8.5 | 0.5 | 4.6 | 3.2 |
| Nondurable goods | 4.4 | 6.7 | 6.5 | 7.9 | 1.7 | 9.2 | 6.7 | 7.7 | 5.2 |
| Services | 8.2 | 8.4 | 8.0 | 8.6 | 8.2 | 7.7 | 7.2 | 7.1 | 7.1 |
| Gross private domestic investment | -5.4 | 11.7 | 8.8 | -0.6 | 29.9 | 6.7 | -5.5 | 5.8 | 5.8 |
| Residential construction | -0.8 | 21.5 | 4.3 | 0.0 | 28.5 | 13.9 | -12.2 | -15.1 | -6.6 |
| Business fixed investment | 2.8 | 7.7 | 12.2 | 14.3 | 18.6 | 23.3 | 2.0 | 4.8 | 3.9 |
| Gov't. purchases of goods & services | 14.2 | 10.5 | 7.3 | 8.0 | 6.8 | 6.3 | 6.0 | 10.1 | 3.4 |
| Federal | 17.1 | 10.4 | 3.8 | 4.8 | 2.0 | 2.4 | 1.6 | 10.5 | -2.7 |
| Defense | 19.5 | 9.0 | 2.7 | 3.0 | 2.0 | 1.5 | -1.5 | 11.0 | -3.4 |
| Other | 8.3 | 15.9 | 8.1 | 9.5 | 3.7 | 5.5 | 12.7 | 8.8 | 0.0 |
| State & local | 11.4 | 10.7 | 10.9 | 11.7 | 11.4 | 10.7 | 10.4 | 9.8 | 9.2 |
| GNP in constant (1958) dollars | 2.4 | 5.0 | 3.3 | 5.0 | 3.4 | 2.9 | 3.0 | 1.5 | 1.6 |
| Final sales | 3.7 | 4.9 | 3.5 | 6.9 | 1.8 | 5.2 | 4.0 | 0.4 | 1.0 |
| Private | 1.9 | 4.5 | 3.7 | 8.2 ^{1/} | 1.5 | 6.0 | 4.5 | -0.1 ^{2/} | 1.3 |
| GNP implicit deflator | 3.1 | 3.8 | 4.1 | 3.4 ^{1/} | 4.1 | 4.2 | 3.9 | 4.8 ^{2/} | 3.5 |
| Personal income | 7.2 | 9.1 | 7.9 | 9.6 | 8.0 | 7.5 | 7.2 | 7.1 | 5.1 |
| Wages and salaries | 7.3 | 9.5 | 8.9 | 10.0 | 8.5 | 9.6 | 8.4 | 8.1 | 5.1 |
| Disposable income | 6.8 | 7.8 | 6.0 | 4.4 | 6.5 | 4.1 | 6.4 | 8.7 | 4.5 |
| Corporate profits before tax | -4.7 | 13.1 | 1.5 | 1.7 | 12.9 | -2.1 | -2.1 | -6.3 | -6.4 |
| Federal government receipts and expenditures (N.I.A. basis) | | | | | | | | | |
| Receipts | 5.7 | 17.0 | 12.9 | 23.5 | 10.8 | 21.6 | 6.9 | -1.6 | 4.2 |
| Expenditures | 14.9 | 11.4 | 6.0 | 6.6 | 4.3 | 5.6 | 5.5 | 7.3 | 0.0 |
| Nonfarm payroll employment | 3.1 | 3.2 | 3.2 | 2.9 | 4.1 | 5.2 | 1.1 | 1.7 | 1.1 |
| Manufacturing | 1.0 | 1.5 | 1.3 | 2.0 | 2.0 | 4.0 | -2.0 | -2.0 | -2.0 |
| Industrial production | 1.2 | 4.2 | 4.4 | 2.4 | 5.3 | 5.5 | 5.4 | 1.4 | 2.1 |
| Housing starts, private | 10.9 | 16.7 | 1.5 | 29.7 | 14.5 | 23.5 | -40.5 | -32.8 | 0.0 |
| Sales new domestic autos | -9.7 | 14.0 | -0.8 | 27.1 | -8.5 | -20.4 | 6.3 | 4.7 | 7.0 |

^{1/} Excluding Federal pay increase, 2.8 per cent per year.^{2/} Excluding Federal pay increase, 3.7 per cent per year.

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

| | FY 1968 Actual | Fiscal 1969 | | | Calendar quarter | | | | | | Calendar year | |
|--|-------------------|----------------|---------------------|------------|------------------|-------|--------------------|-------|-------|-------|------------------|------|
| | | Jan. Budget | 4-15-69 Revision | F.R. Bd | 1968 | | 1969 ^{e/} | | | | 1969 | |
| | | | | | III | IV | I | II | III | IV | | |
| <u>Quarterly data, unadjusted</u> | | | | | | | | | | | | |
| New budget: | | | | | | | | | | | | |
| Surplus/deficit | -25.2 | 2.4 | 1.2 | 2.4 | -3.2 | -7.1 | -1.5 | 14.2 | -3.2 | -4.3 | 5.2 | |
| Receipts | 153.7 | 186.1 | 186.1 | 187.3 | 43.6 | 39.3 | 44.1 | 60.3 | 47.8 | 43.0 | 195.2 | |
| Total expenditures and net lending | 178.9 | 183.7 | 184.9 | 184.9 | 46.9 | 46.3 | 45.6 | 46.1 | 51.0 | 47.3 | 190.0 | |
| Means of financing: | | | | | | | | | | | | |
| Total borrowing from the public | 23.1 | -3.1 | n.a. | .6 | 7.7 | 3.4 | .4 | -10.9 | } | n.e. | } | |
| Decrease in cash operating balance | .4 | { | n.a. | } | -2.5 | -3.3 | 3.9 | -.1 | | | | -2.9 |
| Other <u>1/</u> | 1.7 | | | | -.5 | -1.1 | -.2 | 1.1 | | | | -.3 |
| Cash operating balance, end of period | 5.3 | { | n.a. | } | 7.8 | 8.6 | 4.7 | 4.8 | 7.8 | } | } | |
| | | | | | | | | | | | | |
| <u>Seasonally adjusted annual rate</u> | | | | | | | | | | | | |
| Federal surplus/deficit | | | | | | | | | | | | |
| in national income accounts | -11.3 | 2.7 | 1.7 | 3.4 | -2.8 | .2 | 7.6 | 8.4 | 4.1 | 5.8 | 6.5 | |
| Receipts <u>2/</u> | 161.1 | 190.0 | 190.0 | 191.7 | 182.1 | 187.1 | 197.1 | 200.5 | 199.7 | 201.4 | 199.7 | |
| Expenditures | 172.4 | 187.3 | 188.3 | 188.4 | 184.9 | 186.9 | 189.5 | 192.1 | 195.6 | 195.6 | 193.2 | |

e--Projected.

p--Preliminary.

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

2/ Corporate tax accruals in 1969 assume extension of surtax through calendar 1969.