

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff  
Board of Governors  
of the Federal Reserve System

March 4, 1970

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			1970 Projected			
				II	III	IV	I	II	III	IV
Gross National Product	865.7	932.1	975.7	924.8	942.8	952.2	959.0	967.5	980.7	995.7
Final sales	858.4	924.1	971.2	917.9	932.0	944.5	953.0	964.0	976.7	991.1
Private	658.1	709.5	750.5	705.0	715.0	726.2	734.4	744.6	755.4	767.4
Excluding net exports	655.6	707.4	746.8	703.4	712.3	723.5	730.4	740.3	752.5	763.8
Personal consumption expenditures	536.6	576.0	612.2	572.8	579.8	589.5	596.5	607.3	618.2	626.7
Durable goods	83.3	89.8	89.0	90.6	89.8	90.4	87.7	88.2	89.5	90.5
Nondurable goods	230.6	243.6	260.0	242.1	245.1	248.7	253.3	258.3	262.9	265.4
Services	222.8	242.6	263.2	240.1	244.9	250.3	255.5	260.8	265.8	270.8
Gross private domestic investment	126.3	139.4	139.1	137.4	143.3	141.8	139.9	136.5	138.3	141.7
Residential construction	30.2	32.2	27.6	32.7	31.4	31.6	28.9	26.0	26.3	29.1
Business fixed investment	88.8	99.2	107.0	97.8	101.1	102.5	105.0	107.0	108.0	108.0
Change in business inventories	7.3	8.0	4.5	6.9	10.7	7.7	6.0	3.5	4.0	4.6
Nonfarm	7.4	7.8	4.5	6.7	10.3	7.4	6.0	3.5	4.0	4.6
Net exports of goods and services	2.5	2.1	3.7	1.6	2.7	2.7	4.0	4.3	2.9	3.6
Gov't. purchases of goods & services	200.3	214.6	220.8	212.9	217.0	218.3	218.6	219.4	221.3	223.7
Federal	99.5	101.9	97.5	100.6	103.2	102.3	99.8	97.9	96.6	95.5
Defense	78.0	79.2	74.2	78.5	80.3	79.2	77.3	74.9	73.1	71.6
Other	21.5	22.7	23.2	22.1	22.9	23.1	22.5	23.0	23.5	23.9
State & local	100.7	112.7	123.3	112.3	113.8	116.0	118.8	121.5	124.7	128.2
Gross national product in constant (1958) dollars	707.6	727.5	729.5	726.7	730.6	729.8	727.3	726.5	729.7	734.4
GNP implicit deflator (1958 = 100)	122.3	128.1	133.8	127.3	129.0	130.5	131.9	133.2	134.4	135.6
Personal income	687.9	747.2	794.2	740.5	756.5	767.4	776.3	792.3	799.0	809.3
Wages and salaries	465.0	509.9	540.5	504.3	516.9	525.0	531.0	536.3	543.1	551.5
Disposable income	590.0	629.7	675.8	622.0	639.0	647.5	658.3	671.9	682.6	690.3
Personal saving	38.4	37.6	46.7	33.3	43.1	41.7	44.9	48.0	47.5	46.5
Saving rate (per cent)	6.5	6.0	6.9	5.3	6.7	6.4	6.8	7.1	7.0	6.7
Corporate profits before tax	91.1	94.0	85.3	95.4	92.5	92.5*	87.5	85.0	84.0	84.5
Federal government receipts and expenditures (N.I.A. basis)										
Receipts	176.3	201.6	196.8	202.8	201.3	203.7*	197.4	198.7	194.2	196.7
Expenditures	181.5	192.0	201.1	189.3	193.6	196.7	197.4	205.2	201.0	200.9
Surplus or deficit (-)	-5.2	9.6	-4.3	13.5	7.7	7.0*	0.0	-6.5	-6.8	-4.2
Total labor force (millions)	82.3	84.2	85.6	83.9	84.6	85.0	85.2	85.3	85.7	86.1
Armed forces "	3.5	3.4	3.2	3.5	3.5	3.5	3.4	3.2	3.1	3.1
Civilian labor force "	78.7	80.7	82.4	80.4	81.0	81.5	81.8	82.1	82.6	83.1
Unemployment rate (per cent)	3.6	3.5	4.7	3.5	3.6	3.6	4.2	4.6	4.9	5.1
Nonfarm payroll employment (millions)	67.9	70.1	70.8	70.0	70.4	70.6	70.7	70.6	70.6	71.2
Manufacturing	19.8	20.1	19.7	20.1	20.2	20.1	20.0	19.7	19.5	19.7
Industrial production (1957-59=100)	165.5	172.8	169.9	172.6	174.3	171.9	169.8	168.5	169.7	171.7
Capacity utilization, manufacturing (per cent)	84.6	83.7	78.1	84.5	84.2	81.7	79.5	78.0	77.6	77.4
Housing starts, private (millions A.R.)	1.51	1.46	1.15	1.51	1.43	1.31	1.12	1.03	1.15	1.30
Sales new domestic autos (millions, A.R.)	8.62	8.46	7.64	8.54	8.45	8.13	7.20	7.60	7.75	8.00

\* Implied in Commerce estimate for 1969.

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CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

March 4, 1970

	1968	1969	1970 Proj.	1969			1970 Projected			
				II	III	IV	I	II	III	IV
	-----In Billions of Dollars-----									
Gross National Product	72.2	66.4	43.6	16.1	18.0	9.4	6.8	8.5	13.2	15.0
Inventory change	-0.1	0.7	-3.5	0.3	3.8	-3.0	-1.7	-2.5	0.5	0.6
Final sales	72.2	65.7	47.1	15.8	14.1	12.5	8.5	11.0	12.7	14.4
Private	52.0	51.4	41.0	12.9	10.0	11.2	8.2	10.2	10.8	12.0
Excluding net exports	54.7	51.8	39.4	12.8	8.9	11.2	6.9	9.9	12.2	11.3
Net exports	-2.7	-0.4	1.6	0.1	1.1	0.0	1.3	0.3	-1.4	0.7
Government	20.2	14.3	6.2	2.9	4.1	1.3	0.3	0.8	1.9	2.4
GNP in constant (1958) dollars	33.0	19.9	1.8	3.6	3.9	-0.8	-2.5	-0.8	3.2	4.7
Final sales	33.3	19.6	5.1	3.5	0.6	1.8	-1.0	1.4	2.7	4.2
Private	24.9	18.3	8.6	3.9	1.4	2.8	0.0	3.0	3.2	4.0
	-----In Per Cent Per Year-----									
Gross National Product	9.1	7.7	4.7	7.1	7.8	4.0	2.9	3.5	5.5	6.1
Final sales	9.2	7.7	5.1	7.0	6.1	5.4	3.6	4.6	5.3	5.9
Private	8.5	7.8	5.8	7.5	5.7	6.3	4.5	5.6	5.8	6.4
Personal consumption expenditures	9.0	7.3	6.3	7.7	4.9	6.7	4.7	7.2	7.2	5.5
Durable goods	14.1	7.8	-0.9	10.0	-3.5	2.7	-11.9	2.3	5.9	4.5
Nondurable goods	7.2	5.6	6.7	5.9	5.0	5.9	7.4	7.9	7.1	3.8
Services	9.1	8.9	8.5	8.7	8.0	8.8	8.3	8.3	7.7	7.5
Gross private domestic investment	8.9	10.4	-0.2	6.5	17.2	-4.2	-5.4	-9.7	5.3	9.8
Residential construction	20.8	6.6	-14.3	-7.2	-15.9	2.5	-34.2	-40.1	4.6	42.6
Business fixed investment	6.1	11.7	7.9	10.5	13.5	5.5	9.8	7.6	3.7	0.0
Gov't. purchases of goods & services	11.2	7.1	2.9	5.5	7.7	2.4	0.5	1.5	3.5	4.3
Federal	9.7	2.4	-4.3	-3.9	10.3	-3.5	-9.8	-7.6	-5.3	-4.6
Defense	7.7	1.5	-6.3	-2.5	9.2	-5.5	-9.6	-12.4	-9.6	-8.2
Other	16.8	5.6	2.2	-8.9	14.5	3.5	-10.4	8.9	8.7	6.8
State & local	12.8	11.9	9.4	14.0	5.3	7.7	9.7	9.1	10.5	11.2
GNP in constant (1958) dollars	4.9	2.8	0.2	2.0	2.1	-0.4	-1.3	-0.5	1.7	2.6
Final sales	5.0	2.8	0.7	2.0	0.3	1.0	-0.6	0.8	1.5	2.3
Private	4.7	3.3	1.5	2.8	1.0	2.0	0.0	2.1	2.2	2.8
GNP implicit deflator *	4.0	4.7	4.4	5.1	5.6	<sup>1/</sup> 4.5	4.2	4.0	3.7	3.5
Personal income	9.3	8.6	6.3	8.9	8.6	5.8	4.6	8.2	3.4	5.2
Wages and salaries	9.8	9.7	6.0	8.9	10.0	6.3	4.6	4.0	5.1	6.2
Disposable income	8.0	6.7	7.3	7.7	10.9	5.3	6.7	8.3	6.4	4.5
Corporate profits before tax	13.4	3.2	-9.3	0.4	-12.2	0.0	-21.6	-11.4	-4.7	2.4
Federal government receipts and expenditures (N.I.A. basis)										
Receipts	16.7	14.4	-2.4	8.5	-3.0	4.8	-12.4	2.6	-9.1	5.1
Expenditures	10.8	5.8	4.7	1.7	9.1	6.4	1.4	15.8	-8.2	-0.2
Nonfarm payroll employment	3.0	3.4	1.0	3.3	2.0	1.5	0.6	-0.6	0.0	3.4
Manufacturing	2.1	1.8	-2.0	1.6	1.8	-3.4	2.0	-6.0	-4.1	4.1
Industrial production	4.7	4.4	-1.7	5.6	3.9	-5.5	-4.9	-3.1	2.8	4.7
Housing starts, private	16.7	-2.9	-21.2	-48.3	-21.5	-33.8	-57.3	-35.6	48.8	52.2
Sales new domestic autos	14.0	-1.9	-9.8	8.4	-4.2	-15.1	-45.7	22.2	7.9	12.9

\* Based on deflators calculated to three decimals.

<sup>1/</sup> Excluding Federal pay increase 4.3 per cent.

of a decline in commitments by life insurance companies suggests that future takedowns of private placements will remain relatively low.

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

	Public Offerings		Private Placements		Stocks		Total	
	1969	1970	1969	1970	1969	1970	1969	1970
Year	1,060	--	492	--	709	--	2,261	--
Q I	866	1,417e	513	330e	674	623e	2,073	2,433e
January	980	1,550e	636	300e	460	550e	2,075	2,400e
February	342	1,000e	395	300e	807	600e	2,045	1,900e
March	935	1,700e	509	400e	755	900e	2,098	3,000e

1/ Data are gross proceeds.

e/ Data estimated.

On the other hand, public bond issues in March are expected to increase sharply. Recent announcements of new offerings have raised the estimated volume to \$1.7 billion, and March offerings could move even higher--if no congestion develops--because of the continued build-up in the demand for long-term financing by large industrial corporations. Looking even further ahead, the forward calendar through June is building rapidly, with a number of industrial and financial firms added in recent weeks. Large corporations are also becoming increasingly evident in the future stock issue calendar and, with the giant Esso stock issue, the staff estimates that total corporate financing in March will rise to a record \$3.0 billion.

Yields on tax-exempts, which had risen sharply in the last two weeks of January, fell steadily throughout February, even though the volume of new long-term municipal bonds remained relatively large. Underwriters report that shorter-term issues have been supported by bank purchases, particularly by banks outside New York, as well as by a considerable volume of individual buying. Interest in the longer maturities has been mainly from dealers, who are said to be willing holders, a reflection of their optimism about future monetary ease and declining rates.

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

	1969	1970
Year	990	--
Q I	927	1,237e
Q II	1,216	--
Q III	821	--
Q IV	994	--
January	1,262	1,311e
February	987	1,200e
March	538	1,200e

e/ Estimated.

Visible supply in the municipal market is still large and if yields continue to decline, volume may begin to pick up noticeably as previously postponed issues reenter the market.<sup>1/</sup> At this time the staff estimates that total long-term State and local borrowing in March will be about \$1.2 billion.

<sup>1/</sup> Appendix B discusses the volume of postponed tax-exempt issues in the fourth quarter of 1969, as estimated by the Board's experimental survey of State and local borrowing anticipations and realizations.

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

	Fiscal 1970 e/		Fiscal 1971 e/	Calendar Years		Calendar Quarters				
	Jan. Budget	F.R. Board	January Budget	1969	1970 1/	1969 IV	I	II	1970 1/ III	IV
<u>Federal Budget</u>										
(Quarterly data, unadjusted)										
Surplus/deficit	1.5	-.9	1.3	5.3	-3.4	-5.7	-2.4	9.6	-2.3	-8.3
Receipts	199.4	197.0	202.1	195.6	195.1	42.9	45.6	60.6	47.2	41.7
Outlays	197.9	197.9	200.8	190.3	198.5	48.5	48.0	51.0	49.5	50.0
Means of financing:										
Net borrowing from the public	-2.6	1.6 <sup>2/</sup>	-1.2	-4.1	3.1	5.1	.4	-7.1	1.7	8.1
Decrease in cash operating balance		-1.3		-.6	-.3	1.3	-.4	-5.1	.6	1.0
Other <sup>3/</sup>	n.a.	.6	n.a.	-.7	.6	-.8	2.4	-1.0	--	-.8
Cash operating balance, end of period		7.2		5.3	5.6	5.3	5.7	7.2	6.6	5.6
<u>National Income Sector</u>										
(Seasonally adjusted annual rate)										
Surplus/deficit	3.6	2.1	1.6	9.6	-4.4	7.0	0.0	-6.5	-6.8	-4.2
Receipts	201.7	200.3	205.4	201.6	196.8	203.7	197.4	198.7	194.2	196.7
Expenditures	198.1	198.2	203.8	192.0	201.1	196.7	197.4	205.2	201.0	200.9
High employment budget surplus/deficit <sup>1/</sup>	n.a.	6.8	n.a.	9.6	5.5	10.1	6.4	3.0	4.3	8.3

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 from Budget transactions to borrowing from the public.

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