

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff  
Board of Governors  
of the Federal Reserve System

August 12, 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.)

	1969	1970 Proj.	1970				1971	
			I	IIp	III	Projected IV	I	II
Gross National Product	931.4	978.0	959.5	970.1	983.6	998.8	1017.0	1033.0
Final purchases	922.9	975.7	957.9	967.5	981.3	996.1	1014.0	1028.5
Private	710.7	755.7	738.3	749.2	761.3	774.1	786.6	797.3
Excluding net exports	708.8	751.6	734.8	745.4	756.9	769.4	781.3	791.9
Personal consumption expenditures	577.5	619.9	603.1	614.2	625.7	636.5	647.5	658.5
Durable goods	90.0	92.4	89.1	91.8	93.7	95.0	96.2	97.0
Nondurable goods	245.8	264.7	258.8	262.1	266.7	271.0	275.5	280.0
Services	241.6	262.8	255.2	260.2	265.3	270.5	276.0	281.5
Gross private domestic investment	139.8	134.0	133.2	133.8	133.5	135.6	136.8	137.9
Residential construction	32.0	29.6	29.1	28.5	29.0	31.7	34.1	35.2
Business fixed investment	99.3	102.2	102.6	102.7	102.2	101.2	99.7	98.2
Change in business inventories	8.5	2.3	1.6	2.6	2.3	2.7	3.0	4.5
Nonfarm	8.0	1.9	.9	2.1	2.1	2.5	3.0	4.5
Net exports of goods and services	1.9	4.1	3.5	3.8	4.4	4.7	5.3	5.4
Gov't. purchases of goods & services	212.2	220.0	219.6	218.3	220.0	222.0	227.4	231.2
Federal	101.3	99.7	102.3	99.6	99.0	98.0	99.9	99.9
Defense	78.8	76.5	79.3	77.1	75.8	73.7	74.0	72.9
Other	22.6	23.3	23.0	22.5	23.2	24.3	25.9	27.0
State & local	110.8	120.3	117.4	118.7	121.0	124.0	127.5	131.3
Gross national product in constant (1958) dollars	727.1	726.9	723.8	724.3	727.2	732.1	738.0	744.1
GNP implicit deflator (1958 = 100)	128.1	134.6	132.6	133.9	135.3	136.4	137.8	138.8
Personal income	748.9	803.5	782.3	801.5	809.3	820.8	833.8	846.5
Wages and salaries	509.0	542.9	531.9	539.8	546.5	553.2	564.5	572.8
Disposable income	631.6	686.2	665.3	684.0	693.3	702.3	712.5	722.7
Personal saving	37.6	48.5	44.8	52.1	49.6	47.4	46.3	45.2
Saving rate (per cent)	6.0	7.1	6.7	7.6	7.2	6.7	6.5	6.3
Corporate profits before tax	91.2	83.6	82.6	83.0	83.7	85.2	83.7	85.7
Federal government receipts and expenditures (N.I. A. basis)								
Receipts	200.6	196.6	195.9	196.7	195.4	198.4	205.6	209.1
Expenditures	191.3	206.9	197.7	210.6	209.2	210.1	215.2	218.5
Surplus or deficit (-)	9.3	-10.3	-1.7	-13.9	-13.8	-11.7	-9.6	-9.4
High employment surplus or deficit (-)	4.5	-.5	3.2	-3.6	-3.0	1.4	5.7	5.6
Total labor force (millions)	84.2	86.0	85.8	85.7	86.1	86.5	86.9	87.3
Armed forces "	3.5	3.2	3.3	3.2	3.2	3.1	3.1	3.0
Civilian labor force "	80.7	82.8	82.4	82.5	82.9	83.4	83.8	84.3
Unemployment rate (per cent)	3.5	4.8	4.1	4.8	5.1	5.3	5.5	5.7
Nonfarm payroll employment (millions)	70.3	70.9	71.1	70.9	70.7	71.0	71.4	71.8
Manufacturing	20.2	19.6	20.0	19.6	19.4	19.5	19.5	19.6
Industrial production (1957-59=100)	172.8	170.3	170.7	169.3	170.0	171.1	172.4	174.0
Capacity utilization, manufacturing (per cent)	83.7	78.0	79.8	77.9	77.3	76.8	76.6	76.6
Housing starts, private (millions A.R.)	1.47	1.34	1.25	1.27	1.35	1.50	1.57	1.63
Sales new domestic autos (millions, A.R.)	8.46	8.08	7.35	7.95	8.50	8.50	8.60	8.75

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

			1970				1971	
	1969	1970 Proj.	I	IIp	III	Projected		
						IV	I	II
-----Billions of Dollars-----								
Gross National Product	66.4	46.6	7.8	10.6	13.5	15.2	18.2	16.0
Inventory change	0.9	-6.2	-5.6	1.0	-0.3	0.4	0.3	1.5
Final purchases	65.5	52.8	13.4	9.6	13.8	14.8	17.9	14.5
Private	53.5	45.0	10.1	10.9	12.1	12.8	12.5	10.7
Excluding net exports	54.1	42.8	9.2	10.6	11.5	12.5	11.9	10.6
Net exports	-0.6	2.2	0.9	0.3	0.6	0.3	0.6	0.1
Government	12.0	7.8	3.3	-1.3	1.7	2.0	5.4	3.8
GNP in constant (1958) dollars	19.9	-0.2	-5.4	0.5	2.9	4.9	5.9	6.1
Final purchases	19.6	4.9	-0.5	-0.7	3.4	4.4	5.6	4.7
Private	20.1	10.7	1.1	2.6	4.2	4.8	5.0	3.9
-----In Per Cent Per Year-----								
Gross National Product	7.7	5.0	3.3	4.4	5.6	6.2	7.3	6.3
Final purchases	7.6	5.7	5.7	4.0	5.7	6.0	7.2	5.7
Private	8.1	6.3	5.5	5.9	6.5	6.7	6.5	5.4
Personal consumption expenditures	7.8	7.3	7.1	7.4	7.5	6.9	6.9	6.8
Durable goods	7.1	2.7	-7.5	12.1	8.3	5.5	5.1	3.3
Nondurable goods	6.8	7.7	10.8	5.1	7.0	6.4	6.6	6.5
Services	9.0	8.8	8.6	7.8	7.8	7.8	8.1	8.0
Gross private domestic investment	10.5	-4.1	-20.0	1.8	-0.9	6.3	3.5	3.2
Residential construction	5.6	-7.5	-17.1	-8.2	7.0	37.2	30.3	12.9
Business fixed investment	12.0	2.9	0.0	0.4	-1.9	-3.9	-5.9	-6.0
Gov't. purchases of goods & services	6.0	3.7	6.1	-2.4	3.1	3.6	9.7	6.7
Federal	1.8	-1.6	0.8	-10.6	-2.4	-4.0	7.8	0.0
Defense	1.0	-2.9	2.5	-11.1	-6.7	-11.1	1.6	-5.9
Other	5.1	3.1	-5.2	-8.7	12.4	19.0	26.3	17.0
State & local	10.0	8.6	11.2	4.4	7.7	9.9	11.3	11.9
GNP in constant (1958) dollars	2.8	0.0	-3.0	0.3	1.6	2.7	3.2	3.3
Final purchases	2.8	0.7	-0.4	-0.4	1.9	2.4	3.1	2.6
Private	3.6	1.9	0.8	1.8	2.9	3.3	3.4	2.6
GNP implicit deflator	4.7	5.1	6.4	<sup>1/</sup> 4.2	4.0	3.5	4.1	<sup>2/</sup> 3.0
Personal income	8.7	7.3	6.1	9.8	3.9	5.7	6.3	6.1
Wages and salaries	9.5	6.7	5.0	5.9	5.0	4.9	8.2	5.9
Disposable income	6.8	8.6	9.0	11.2	5.4	5.2	5.8	5.7
Corporate profits before tax	2.8	-8.3	-26.7	1.9	3.4	7.2	-7.0	9.6
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	14.4	-2.0	-12.1	1.6	-2.6	6.1	14.5	6.8
Expenditures	5.3	8.2	3.7	26.1	-2.7	1.7	9.7	6.1
Nonfarm payroll employment	3.5	0.9	1.7	-1.1	-1.1	1.7	2.3	2.2
Manufacturing	2.0	-3.0	-2.0	-8.0	-4.1	-2.1	0.0	2.0
Industrial production	4.4	-1.4	-2.8	-3.3	1.7	2.6	3.0	3.7
Housing starts, private	-2.7	-8.5	-31.0	5.4	25.5	44.4	20.0	12.7
Sales new domestic autos	-1.9	-4.6	-38.1	32.3	27.8	0.0	4.7	7.0

<sup>1/</sup> Excluding effects of Federal pay increase, 5.5 per cent per year.<sup>2/</sup> Excluding effects of Federal pay increase, 3.2 per cent per year.

In the corporate bond market, a further build-up in the calendar of new issues seemed to be a factor causing the recent rally to stall. New public issues of corporate bonds in July had amounted to slightly more than \$1.8 billion, down only marginally from the June total, as favorable market conditions in July encouraged a number of industrial firms to enter the market. And the forward calendar of new offerings has risen in recent days. The staff now estimates August public bond offerings at \$1.8 billion, with the September estimate remaining unchanged at \$1.8 billion.

For the third quarter, total corporate security offerings are now expected to average about \$2.8 billion a month. This volume is exceeded only by that of the second quarter, which included the outsized AT&T issue; excluding that issue, the estimated third quarter pace would set a new record.

CORPORATE SECURITY OFFERINGS  
(Monthly or monthly averages, in millions of dollars)

	Bonds		Stocks	Total
	Public Offerings	Private Placements		
1969	1,061	468	700	2,229
1970 - QI	1,525	420	712	2,659
QII	2,308 <sup>e/1/</sup>	444 <sup>e</sup>	569 <sup>e</sup>	3,322 <sup>e1/</sup>
QIII	1,800 <sup>e</sup>	433 <sup>e</sup>	583 <sup>e</sup>	2,816 <sup>e</sup>
July	1,800 <sup>e</sup>	400 <sup>e</sup>	650 <sup>e</sup>	2,850 <sup>e</sup>
August	1,800 <sup>e</sup>	400 <sup>e</sup>	500 <sup>e</sup>	2,700 <sup>e</sup>
September	1,800 <sup>e</sup>	500 <sup>e</sup>	600 <sup>e</sup>	2,900 <sup>e</sup>

<sup>e/</sup> Estimated.

<sup>1/</sup> The second quarter "Public Offerings" and "Total" figures include the \$1.5 billion AT&T offering. The monthly average for the second quarter "Public Bond Offerings" and "Total Security Offerings" excluding AT&T would be \$1,808(e) million and \$2,822(e) million, respectively.

Long-term debt issues by State and local governments totalled over \$1.3 billion in July. While this pace of new offerings continues above that of 1969, the forward calendar has not yet increased, despite the sizable decline in yields since late May. There are reports that the improvement in tax-exempt yields during a large part of July was associated with professional trading and dealer stocking of shelves in anticipation of further price rises. Banks are reported to have increased their purchases in early August, and the resultant optimism has apparently led dealers (including dealer banks) to maintain, if not expand, their already large positions.

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

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1969 - Year	990
1970 - QI	1,368
QII	1,237
QIII	1,333e
July	1,300e
August	1,300e
September	1,400e

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e/ Estimated.

Corporate profits in manufacturing. The seasonally adjusted annual rate of corporate profits before taxes apparently increased slightly in the second quarter, following a sharp decline in the first quarter. While profits remained well below 1969 levels, the year-to-year decline was not quite so large in the second quarter as in the

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

	Fiscal Year 1970*	Calendar Year 1970 F.R. Board	Fiscal Year 1971 Revised Budget <sup>1/</sup>	F. R. Board	Calendar Quarters					
					1970			1971		
					I*	II*	IIIe/	IVe/	Ie/	IIe/
<u>Federal Budget</u>										
(Quarterly data, unadjusted)										
Surplus/deficit	-2.9	-10.2	-1.3	-11.7	-3.5	8.7	-7.2	-8.2	-5.6	9.3
Receipts	193.8	193.3	204.3	199.4	44.4	58.7	47.3	42.9	46.6	62.6
Outlays	196.8	203.4	205.6	211.1	47.8	50.0	54.5	51.1	52.2	53.3
Means of financing:										
Net borrowing from the public <sup>2/</sup>	3.8	10.2		11.0	2.0	-6.4	7.3	7.3	4.0	-7.6
Decrease in cash operating balance	-2.1	-.9		1.3	-1.6	-1.1	.2	1.6	.1	-.6
Other <sup>3/</sup>	1.2	1.0	n.a.	-.6	3.1	-1.1	-.3	-.7	1.5	-1.1
Cash operating balance, end of period	8.0	6.2		6.7	6.9	8.0	7.8	6.2	6.1	6.7
<u>National Income Sector</u>										
(Seasonally adjusted annual rate)										
Surplus/deficit	-.3	-10.3	n.a.	-11.1	-1.7	-13.9	-13.8	-11.7	-9.6	-9.4
Receipts	198.9	196.6	n.a.	202.1	195.9	196.7	195.4	198.4	205.6	209.1
Expenditures	199.2	206.9	208.3	213.3	197.7	210.6	209.2	210.1	215.2	218.5
High employment budget surplus/ deficit <sup>4/</sup>										
	2.1	-.5	n.a.	2.4	3.2	-3.6	-3.0	1.4	5.7	5.6

e--projected

n.a.--not available

<sup>1/</sup> Official Budget Revision: May 19, 1970

<sup>2/</sup> Excludes effect of reclassification of \$1.6 billion of CCC certificates of interest, as of July 1, 1969. This reclassification increased Federal debt, but is not treated as borrowing from the public.

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

<sup>4/</sup> Estimated by Federal Reserve Board Staff. Since the last Greenbook, the high employment figures have been revised in line with recent revisions in the historical national income accounts.

\* Actual