

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff  
Board of Governors  
of the Federal Reserve System

October 1, 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	1969 Proj.	1969				1970	
				I	II	Projected		I	II
						III	IV		
Gross National Product	793.5	865.7	932.3	908.7	924.8	941.8	953.8	961.8	968.8
Final sales	786.2	858.4	923.7	902.1	917.9	931.3	943.4	954.4	964.4
Private	606.1	658.1	708.1	692.1	705.0	712.6	722.8	732.3	740.6
Excluding net exports	600.9	655.6	706.2	690.6	703.4	710.4	720.5	729.0	737.5
Personal consumption expenditures	492.3	536.6	575.9	562.0	572.8	579.4	589.4	598.9	607.8
Durable goods	73.0	83.3	89.4	88.4	90.6	89.3	89.4	88.8	88.0
Nondurable goods	215.1	230.6	243.9	238.6	242.1	245.0	250.0	255.1	259.8
Services	204.2	222.8	242.6	235.0	240.1	245.1	250.0	255.0	260.0
Gross private domestic investment	116.0	126.3	138.9	135.2	137.4	141.5	141.5	137.5	134.1
Residential construction	25.0	30.2	31.8	33.3	32.7	31.2	29.8	27.8	26.9
Business fixed investment	83.7	88.8	98.6	95.3	97.8	99.8	101.3	102.3	102.8
Change in business inventories	7.4	7.3	8.6	6.6	6.9	10.5	10.4	7.4	4.4
Nonfarm	6.8	7.4	8.4	6.6	6.7	10.2	10.2	7.2	4.2
Net exports of goods and services	5.2	2.5	1.9	1.5	1.6	2.2	2.3	3.3	3.1
Gov't. purchases of goods & services	180.1	200.3	215.6	210.0	212.9	218.7	220.6	222.1	223.8
Federal	90.7	99.5	101.9	101.6	100.6	103.2	102.1	100.6	99.3
Defense	72.4	78.0	79.3	79.0	78.5	80.5	79.0	77.0	75.5
Other	18.4	21.5	22.6	22.6	22.1	22.7	23.1	23.6	23.8
State & local	89.3	100.7	113.7	108.5	112.3	115.5	118.5	121.5	124.5
Gross national product in constant (1958) dollars	674.6	707.6	728.3	723.1	726.7	730.5	732.9	732.6	732.1
GNP implicit deflator (1958=100)	117.6	122.3	128.0	125.7	127.3	128.9	130.1	131.3	132.3
Personal income	629.4	687.9	747.0	724.4	740.5	756.1	767.0	777.0	787.9
Wages and salaries	423.5	465.0	510.0	493.3	504.3	516.7	525.5	533.0	539.2
Disposable income	546.5	590.0	629.3	610.2	622.0	638.2	646.6	659.1	667.6
Personal saving	40.4	38.4	37.3	32.5	33.3	42.7	40.8	43.5	42.8
Saving rate (per cent)	7.4	6.5	5.9	5.3	5.3	6.7	6.3	6.6	6.4
Corporate profits before tax	80.3	91.1	93.1	95.5	95.4	92.0	89.5	84.5	80.0
Federal government receipts and expenditures (N.I.A. basis)									
Receipts	151.1	176.3	200.9	198.1	202.3	200.9	202.4	198.3	198.6
Expenditures	163.8	181.5	191.7	188.5	189.3	193.9	195.0	195.8	198.6
Surplus or deficit (-)	-12.7	-5.2	9.2	9.6	13.0	7.0	7.4	2.5	0.0
Total labor force (millions)	80.8	82.3	84.2	83.7	83.8	84.5	84.7	85.0	85.2
Armed forces "	3.4	3.5	3.5	3.5	3.5	3.5	3.5	3.4	3.3
Civilian labor force "	77.2	78.7	80.7	80.2	80.3	81.0	81.2	81.6	81.9
Unemployment rate (per cent)	3.8	3.6	3.6	3.3	3.5	3.7	3.9	4.2	4.5
Nonfarm payroll employment (millions)	65.9	67.9	70.1	69.5	70.0	70.4	70.7	70.8	70.7
Manufacturing	19.4	19.8	20.1	20.1	20.1	20.2	20.1	20.0	19.8
Industrial production (1957-59=100)	158.1	165.4	173.2	170.2	172.7	174.4	175.5	175.0	174.5
Capacity utilization, manu- facturing (per cent)	85.3	84.5	84.2	84.5	84.6	84.2	83.6	82.4	81.2
Housing starts, private (millions A.R.)	1.29	1.51	1.44	1.72	1.51	1.34	1.20	1.18	1.13
Sales new domestic autos (millions, A.R.)	7.57	8.62	8.39	8.37	8.54	8.40	8.25	8.15	8.10

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1967	1968	1969 Proj.	1969			1970		
				I	II	III	Projected		
							IV	I	II
-----In Billions of Dollars-----									
Gross National Product	43.6	72.2	66.6	16.2	16.1	17.0	12.0	8.0	7.0
Inventory change	-7.4	-0.1	1.3	-3.9	0.3	3.6	-0.1	-3.0	-3.0
Final sales	51.1	72.2	65.3	20.1	15.8	13.4	12.1	11.0	10.0
Private	27.8	52.0	50.0	16.8	12.9	7.6	10.2	9.5	8.3
Excluding net exports	27.9	54.7	50.6	16.5	12.8	7.0	10.1	8.5	8.5
Net exports	-0.1	-2.7	-0.6	0.3	0.1	0.6	0.1	1.0	-0.2
Government	23.3	20.2	15.3	3.3	2.9	5.8	1.9	1.5	1.7
GNP in constant (1958) dollars	16.5	33.0	20.7	4.6	3.6	3.8	2.4	-0.3	-0.5
Final sales	23.5	33.3	19.9	8.2	3.5	1.1	2.1	1.7	2.4
Private	10.0	24.9	17.9	7.8	3.9	0.5	3.0	1.8	3.1
-----In Per Cent Per Year-----									
Gross National Product	5.8	9.1	7.7	7.3	7.1	7.4	5.1	3.4	2.9
Final sales	7.0	9.2	7.6	9.1	7.0	5.8	5.2	4.7	4.2
Private	6.1	8.5	7.6	9.9	7.5	4.3	5.7	5.3	4.5
Personal consumption expenditures	5.6	9.0	7.3	8.2	7.7	4.6	6.9	6.4	5.9
Durable goods	3.1	14.1	7.3	9.7	10.0	-5.7	0.4	-2.7	-3.6
Nondurable goods	4.0	7.2	5.8	7.3	5.9	4.8	8.2	8.2	7.4
Services	8.3	9.1	8.9	8.5	8.7	8.3	8.0	8.0	7.8
Gross private domestic investment	-4.4	8.9	10.0	3.9	6.5	11.9	0.0	-11.3	-9.9
Residential construction	0.0	20.8	5.3	17.6	-7.2	-18.3	-17.9	-26.8	-12.9
Business fixed investment	2.6	6.1	11.0	16.6	10.5	8.2	6.0	3.9	2.0
Gov't. purchases of goods & services	14.9	11.2	7.6	6.4	5.5	10.9	3.5	2.7	3.1
Federal	16.6	9.7	2.4	-1.2	-3.9	10.3	-4.3	-5.9	-5.2
Defense	19.3	7.7	1.7	-1.5	-2.5	10.2	-7.5	-10.1	-7.8
Other	7.6	16.8	5.1	1.8	-8.9	10.9	7.0	8.7	3.4
State & local	13.0	12.8	12.9	14.1	14.0	11.4	10.4	10.1	9.9
GNP in constant (1958) dollars	2.5	4.9	2.9	2.5	2.0	2.1	1.3	-0.1	-0.3
Final sales	3.6	5.0	2.8	4.6	2.0	0.6	1.2	0.9	1.3
Private	1.9	4.7	3.2	5.6	2.8	0.4	2.1	1.3	2.2
GNP implicit deflator	3.2	4.0	4.7	4.7	5.1	5.2*	3.8	3.5	3.2
Personal income	7.2	9.3	8.6	7.4	8.9	8.4	5.8	5.2	5.6
Wages and salaries	7.4	9.8	9.7	9.3	8.9	9.8	6.8	5.7	4.7
Disposable income	6.8	8.0	6.7	3.9	7.7	10.4	5.3	7.7	5.2
Corporate profits before tax	-4.6	13.4	2.2	4.2	-0.4	-14.3	-10.9	-22.3	-21.3
Federal government receipts and expenditures (N.I.A. basis)									
Receipts	6.0	16.7	14.0	23.1	8.5	-2.8	3.0	-8.1	0.6
Expenditures	14.7	10.8	5.6	2.3	1.7	9.7	2.3	1.6	5.7
Nonfarm payroll employment	3.0	3.0	3.3	4.7	2.9	2.3	1.7	0.6	-0.6
Manufacturing	1.0	2.1	1.6	4.0	0.0	2.0	-2.0	-2.0	-4.0
Industrial production	1.2	4.6	4.7	6.7	5.9	3.9	2.5	-1.1	-1.1
Housing starts, private	10.9	16.7	-4.3	28.2	-48.3	-45.0	-41.8	-6.7	-16.9
Sales new domestic autos	-9.7	14.0	-2.7	-20.4	8.4	-6.6	-7.1	-4.8	-2.5

\* Excluding Federal pay increase 4.0 per cent.

CORPORATE SECURITY OFFERINGS<sup>1/</sup>  
 Monthly or Monthly Averages  
 (Millions of Dollars)

	Public Bond Offerings		Private Bond Offerings		Stocks		Total	
	1968	1969	1968	1969	1968	1969	1968	1969
Year	894	--	554	--	382	--	1,830	--
Q I	821	886	574	513	330	674	1,726	2,073
Q II	1,035	1,136	548	526	319	709	1,902	2,371
Q III	869	1,063e	454	517e	389	533e	1,711	2,113e
August	637	700e	400	500e	396	400e	1,433	1,600e
September	727	1,230e	433	550e	398	700e	1,556	2,480e
October	1,009	1,200e	595	500e	525	600e	2,129	2,300e

e/ Estimated.

1/ Data are gross proceeds.

Corporate security offerings in October are estimated to decline somewhat in total from the September pace, due largely to a lighter schedule of stock issues. However, total new offerings in October would still be significantly above the average monthly volume during the third quarter. Public corporate bond offerings are expected to remain at September's \$1.2 billion volume. The large financing requirements of public utility firms are again reflected in a heavy slate of utility offerings. It is assumed that convertible bond financing will continue to be somewhat discouraged by the level of stock prices, so that many such issues postponed earlier this year will not be marketed in October.

State and local government bond issues have been reduced sharply. The volume of long-term offerings in September is estimated at \$525 million, less than one-half of the average volume for the first half of this year. While short-term issues continue to represent an alternative source of funds, these offerings have not been of sufficient volume to offset fully the shortfall in long-term financing. For the third quarter, as a whole, long-term issues of about \$2.5 billion were less than one-half of the amount planned by governmental units--according to our recent survey of borrowing anticipations, and pressure to cut-back capital outlays should be increasing markedly. This situation is expected to continue as October bond volume is estimated at only \$600 million, a level which assumes that municipal interest rates will not decline much further.

STATE AND LOCAL GOVERNMENT OFFERINGS  
Monthly or Monthly Averages  
(Millions of dollars)

	<u>Gross Long-Term 1/</u>		<u>Net Short-Term 2/</u>		<u>Total 3/</u>	
	1968	1969	1968	1969	1968	1969
Year	1,381	--	- 38	n.a.	1,343	n.a.
Q I	1,246	930	- 56	328	1,190	1,258
Q II	1,285	1,208	5	375e	1,290	1,583e
Q III	1,537	792e	- 58	285e	1,499	1,070e
August	1,699	790	204	490e	1,963	1,280e
September	1,444	525e	-902	80e	542	605e
October	2,230	600e	252	n.a.	2,482	n.a.

e/ Estimated.

1/ Data are for principal amounts of new issues.

2/ EXCLUDES note offerings of Housing Assistance Administration and Renewal Assistance Administration.

3/ Combines GROSS long-term and NET short-term issues.

FLOW OF FUNDS, NONFINANCIAL CORPORATE BUSINESS  
Seasonally adjusted annual rates, in billions of dollars

	1968		1969			
	H1	H2	I	II	III	IV
				(prel.)	(est.)	(proj.)
<u>Sources</u>						
Internal funds	61.5	64.7	63.0	63.3	63.5	63.8
Credit & equity market Instr.	22.1	30.0	38.9	32.5	26.5	30.0
Security issues & mortgages	16.4	15.4	18.8	18.2	16.0	17.5
Bank & other loans	5.7	14.6	20.1	14.3	10.5	12.5
Other sources	11.5	9.9	11.9	5.8	9.0	10.0
<u>Uses</u>						
Capital expenditures	76.8	81.3	86.7	87.0	91.5	92.6
Liquid assets	9.7	8.2	5.7	.2	-10.0	- 6.3
Other uses	8.3	12.3	16.6	10.1	13.0	13.0
<u>Discrepancy</u>	.3	2.8	4.9	4.4	4.5	4.5
Memo: Int. funds less cap. exp.	-15.3	-16.6	-23.7	-23.7	-28.0	-28.8

Note: "Other" sources comprise profit tax and miscellaneous liabilities; "other" uses comprise net trade credit, consumer credit, State and local securities, and miscellaneous financial assets.

The assumption that corporations will continue to reduce their holdings of liquid assets over the final quarter of the year, rather than to accelerate the volume of their new borrowing, reflects not only the level of interest rates and reduced credit availability but also new estimates of corporate financial flows in the second quarter. In particular, more complete data for that quarter suggest that holdings of liquid assets, rather than having been substantially reduced, remained about unchanged from the first quarter level.

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

	FY 1969 Actual	Calendar year 1969e/	Fiscal 1970		Calendar quarter					
			Summer Review	Budg. F.R. Board	1969				1970	
					I	II	III <sup>e/</sup>	IV <sup>e/</sup>	I <sup>e/</sup>	II <sup>e/</sup>
<u>Quarterly data, unadjusted</u>										
New budget:										
Surplus/deficit	3.1	6.0	5.9	3.7	-2.0 <sup>1</sup>	15.3	-2.4	-4.9	-3.3	14.3
Receipts	187.8	197.6	198.8	196.6	44.1	60.8	48.5	44.2	44.0	59.9
Total expenditures and net lending	184.8	191.6	192.9	192.9	46.1	45.5	50.9	49.1	47.3	45.6
Means of financing:										
Total borrowing from the public	-1.4 <sup>1/</sup>	-6.2		-2.8	.2	-12.6	3.6 <sup>2/</sup>	2.6	4.1	-13.1
Decrease in cash operating balance	-.6	.2		-.1	-.1	-1.1	-.7	2.1	-1.5	--
Other <sup>2/</sup>	-1.1	-.1	n.a.	-.8	1.9 <sup>1</sup>	-1.7	-.5	.2	.7	-1.2
Cash operating balance, end of period	5.9	4.5		6.0	4.8	5.9	6.6*	4.5	6.0	6.0
<u>Seasonally adjusted annual rate</u>										
Federal surplus/deficit in national income accounts <sup>3/</sup>	4.8	9.3	n.a.	3.4	9.6	13.0	7.0	7.4	0.9	-1.6
Receipts	192.2	200.9	n.a.	199.3	198.1	202.3	200.9	202.4	196.7	197.0
Expenditures	187.4	191.7	195.8	195.8	188.5	189.3	193.9	195.0	195.8	198.6

\*--Actual

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.a. - Not available.

<sup>1/</sup> Excludes effect of conversion of agencies to private ownership.

<sup>2/</sup> Excludes effect of reclassification of \$1.6 billion of CC certificates of interest from Budget transactions to borrowing from the public.

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

<sup>4/</sup> National Income account translation estimated by Federal Reserve staff.