

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff  
Board of Governors  
of the Federal Reserve System

October 22, 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	III	Projected IV	I	II
Gross National Product	793.5	865.7	932.5	908.7	924.8	942.3	954.3	961.8	968.8
Final sales	786.2	858.4	924.5	902.1	917.9	932.9	945.0	954.5	962.7
Private	606.1	658.1	709.2	692.1	705.0	715.1	724.7	733.3	741.1
Excluding net exports	600.9	655.6	707.4	690.6	703.4	713.1	722.3	730.6	737.8
Personal consumption expenditures	492.3	536.6	576.8	562.0	572.8	581.6	590.8	599.9	609.9
Durable goods	73.0	83.3	89.9	88.4	90.6	90.3	90.3	90.3	90.3
Nondurable goods	215.1	230.6	244.5	238.6	242.1	246.4	250.7	254.9	260.0
Services	204.2	222.8	242.5	235.0	240.1	244.9	249.8	254.7	259.6
Gross private domestic investment	116.0	126.3	138.6	135.2	137.4	140.9	140.8	138.0	134.0
Residential construction	25.0	30.2	31.8	33.3	32.7	31.1	30.1	28.0	25.2
Business fixed investment	83.7	88.8	98.8	95.3	97.8	100.5	101.7	102.7	102.7
Change in business inventories	7.4	7.3	8.1	6.6	6.9	9.4	9.3	7.3	6.1
Nonfarm	6.8	7.4	7.8	6.6	6.7	8.9	8.9	6.9	5.9
Net exports of goods and services	5.2	2.5	1.9	1.5	1.6	2.0	2.4	2.7	3.3
Gov't. purchases of goods & services	180.1	200.3	215.2	210.0	212.9	217.8	220.0	221.2	221.6
Federal	90.7	99.5	102.1	101.6	100.6	103.3	102.8	101.2	99.1
Defense	72.4	78.0	79.4	79.0	78.5	80.6	79.6	77.6	75.1
Other	18.4	21.5	22.7	22.6	22.1	22.7	23.2	23.6	24.0
State & local	89.3	100.7	113.1	108.5	112.3	114.5	117.2	120.0	122.5
Gross national product in constant (1958) dollars	674.6	707.6	728.2	723.1	726.7	730.4	732.6	731.8	731.1
GNP implicit deflator (1958=100)	117.6	122.3	128.1	125.7	127.3	129.0	130.3	131.4	132.5
Personal income	629.4	687.9	747.1	724.4	740.5	756.2	767.1	776.4	789.0
Wages and salaries	423.5	465.0	509.9	493.3	504.3	516.6	525.4	531.7	538.4
Disposable income	546.5	590.0	629.5	610.2	622.0	638.8	646.8	657.9	667.9
Personal saving	40.4	38.4	36.7	32.5	33.3	41.1	39.9	41.3	41.0
Saving rate (per cent)	7.4	6.5	5.8	5.3	5.3	6.4	6.2	6.3	6.1
Corporate profits before tax	80.3	91.1	93.0	95.5	95.4	91.7	89.5	85.5	80.5
Federal government receipts and expenditures (N.I.A. basis)									
Receipts	151.1	176.3	201.1	198.6	202.8	200.4	202.4	196.9	196.6
Expenditures	163.8	181.5	191.9	188.5	189.3	194.1	195.5	196.3	199.4
Surplus or deficit (-)	-12.7	-5.2	9.2	10.1	13.5	6.3	6.9	0.6	-2.8
Total labor force (millions)	80.8	82.3	84.2	83.7	83.8	84.6	84.8	85.0	85.3
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	81.1	81.3	81.6	82.0
Unemployment rate (per cent)	3.8	3.6	3.6	3.3	3.5	3.7	4.0	4.2	4.5
Nonfarm payroll employment (millions)	65.9	67.9	70.1	69.5	70.0	70.3	70.6	70.8	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	172.7	170.2	172.7	174.2	173.8	172.8	172.0
Capacity utilization, manu- facturing (per cent)	85.3	84.5	84.0	84.5	84.6	84.1	83.0	81.5	80.2
Housing starts, private (millions A.R.)	1.29	1.51	1.48	1.72	1.51	1.42	1.25	1.13	1.00
Sales new domestic autos (millions, A.R.)	7.57	8.62	8.43	8.37	8.54	8.42	8.40	8.40	8.40

\* Assumes Administration's proposals for repeal of investment tax credit and extension of tax surcharge at 10% through 1969 and then at 5% through June 1970.

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1967	1968	1969 Proj.	1969 <sup>1/</sup>			1970 <sup>1/</sup>		
				I	II	III	Projected		
							IV	I	II
-----In Billions of Dollars-----									
Gross National Product	43.6	72.2	66.8	16.2	16.1	17.5	12.0	7.5	7.0
Inventory change	-7.4	-0.1	0.8	-3.9	0.3	2.5	-0.1	-2.0	-1.2
Final sales	51.1	72.2	66.1	20.1	15.8	15.0	12.1	9.5	8.2
Private	27.8	52.0	51.1	16.8	12.9	10.1	9.6	8.6	7.8
Excluding net exports	27.9	54.7	51.8	16.5	12.8	9.7	9.2	8.3	7.2
Net exports	-0.1	-2.7	-0.6	0.3	0.1	0.4	0.4	0.3	0.6
Government	23.3	20.2	14.9	3.3	2.9	4.9	2.2	1.2	0.4
GNP in constant (1958) dollars	16.5	33.0	20.6	4.6	3.6	3.7	2.2	-0.8	-0.7
Final sales	23.5	33.3	20.2	8.2	3.5	1.7	1.9	0.8	0.6
Private	10.0	24.9	18.5	7.8	3.9	1.9	2.3	1.1	1.5
-----In Per Cent Per Year-----									
Gross National Product	5.8	9.1	7.7	7.3	7.1	7.6	5.1	3.1	2.9
Final sales	7.0	9.2	7.7	9.1	7.0	6.5	5.2	4.0	3.4
Private	6.1	8.5	7.8	9.9	7.5	5.7	5.4	4.7	4.3
Personal consumption expenditures	5.6	9.0	7.5	8.2	7.7	6.1	6.3	6.2	6.7
Durable goods	3.1	14.1	7.9	9.7	10.0	-1.3	0.0	0.0	0.0
Nondurable goods	4.0	7.2	6.0	7.3	5.9	7.1	7.0	6.7	8.0
Services	8.3	9.1	8.8	8.5	8.7	8.0	8.0	7.8	7.7
Gross private domestic investment	-4.4	8.9	9.7	3.9	6.5	10.2	-0.3	-8.0	-11.6
Residential construction	0.0	20.8	5.3	17.6	-7.2	-19.6	-12.9	-27.9	-40.0
Business fixed investment	2.6	6.1	11.3	16.6	10.5	11.0	4.8	3.9	0.0
Gov't. purchases of goods & services	14.9	11.2	7.4	6.4	5.5	9.2	4.0	2.2	0.7
Federal	16.6	9.7	2.6	-1.2	-3.9	10.7	-1.9	-6.2	-8.3
Defense	19.3	7.7	1.8	-1.5	-2.5	10.7	-5.0	-10.0	-12.9
Other	7.6	16.8	5.6	1.8	-8.9	10.9	8.8	6.9	6.8
State & local	13.0	12.8	12.3	14.1	14.0	7.8	9.4	9.6	8.3
GNP in constant (1958) dollars	2.5	4.9	2.9	2.5	2.0	2.0	1.2	-0.5	-0.4
Final sales	3.6	5.0	2.9	4.6	2.0	0.9	1.1	0.4	0.3
Private	1.9	4.7	3.3	5.6	2.8	1.3 <sup>2/</sup>	1.6	0.8	1.0
GNP implicit deflator	3.2	4.0	4.7	4.7	5.1	5.5 <sup>2/</sup>	3.9	3.6	3.3
Personal income	7.2	9.3	8.6	7.4	8.9	8.5	5.8	4.8	6.5
Wages and salaries	7.4	9.8	9.7	9.3	8.9	9.8	6.8	4.8	5.0
Disposable income	6.8	8.0	6.7	3.9	7.7	10.8	5.0	6.9	6.1
Corporate profits before tax	-4.6	13.4	2.1	4.2	-0.4	-15.5	-9.6	-17.9	-23.4
Federal government receipts and expenditures (N.I.A. basis)									
Receipts	6.0	16.7	14.1	24.1	8.5	-4.7	4.0	-10.9	0.6
Expenditures	14.7	10.8	5.7	2.3	1.7	10.1	2.9	1.6	6.3
Nonfarm payroll employment	3.0	3.0	3.2	4.7	2.9	1.7	1.7	1.1	0.0
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	4.4	6.7	5.9	3.5	-0.9	-2.3	-1.9
Housing starts, private	10.9	16.7	-2.2	28.2	-48.3	-22.8	-48.9	-40.0	-44.4
Sales new domestic autos	-9.7	14.0	-2.2	-20.4	8.4	-5.7	-1.0	0.0	0.0

<sup>1/</sup> Assumes Administration's proposals for repeal of investment tax credit and extension of tax surcharge at 10 % through 1969 and then at 5 % through June 1970.

<sup>2/</sup> Excluding Federal pay increase 4.2 per cent.

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

	FY 1969 Actual	Calendar year 1969 <sup>e/</sup>	Fiscal 1970		Calendar quarter				
			Summer Budget Review	F.R. Board	1969		1970		
					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	6.5	5.9	3.5	15.3	-2.2	-4.6	-3.2	13.5
Receipts	187.8	198.0	198.8	196.4	60.8	48.7	44.4	44.1	59.2
Total expenditures and net lending	184.8	191.5	192.9	192.9	45.5	50.9	49.0	47.3	45.7
Means of financing:									
Total borrowing from the public	-1.4 <sup>1/</sup>	-5.1	{ n.a. }	-2.5	-12.6	3.6 <sup>2/</sup>	3.7	2.5	-12.3
Decrease in cash operating balance	-.6	-1.2		--	-1.1	-.7	.7	--	--
Other <sup>3/</sup>	-1.1	-.3		-1.0	-1.7	-.7	.2	.7	-1.2
Cash operating balance, end of period	5.9	5.9		5.9	5.9	6.6*	5.9	5.9	5.9
<u>Seasonally adjusted annual rate</u>									
Federal surplus/deficit									
in national income accounts	4.8	9.2	n.a.	2.8	13.5	6.3	6.9	0.6	-2.8
Receipts	192.2	201.1	n.a.	199.1	202.8	200.4	202.4	196.9	196.6
Expenditures	187.4	191.9	195.8 <sup>4/</sup>	196.3	189.3	194.1	195.5	196.3	199.4
High employment budget surplus/deficit <sup>4/</sup>	2.5	8.9	n.a.	6.4	12.3	6.3	8.8	5.4	5.0

\*--Actual

e--Projected. Assumes extension of surcharge at 5 per cent from January to June 1970. Also assumes discontinuance of investment tax credit effective, retroactively, April 1969.

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 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.

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