

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**

May 21, 1969

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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 - Projected			
			Proj.	III	IV	I	II	III	IV
Gross National Product	789.7	860.6	923.9	871.0	887.4	903.3	917.3	931.5	943.5
Final Sales	783.6	852.9	916.6	863.5	876.8	896.3	910.4	924.5	935.0
Private excluding net exports	600.4	653.7	702.7	660.6	672.8	689.4	697.5	707.1	716.6
Net exports	4.8	2.0	1.5	3.3	1.0	.0	2.7	1.7	1.7
Personal consumption expenditures	492.2	533.8	570.6	541.1	546.8	557.4	565.7	575.1	584.1
Durable goods	72.6	82.5	87.4	85.1	85.1	86.8	87.0	87.5	88.2
Nondurable goods	215.8	230.3	244.4	232.7	233.7	238.1	242.0	246.8	250.8
Services	203.8	221.0	238.8	223.4	228.0	232.5	236.7	240.8	245.1
Gross private domestic investment	114.3	127.7	139.4	127.1	136.6	139.0	138.7	139.0	141.0
Residential construction	24.6	29.9	31.1	29.5	31.6	32.5	31.5	30.5	30.0
Business fixed investment	83.6	90.0	101.0	90.1	94.3	99.6	100.3	101.5	102.5
Change in business inventories	6.1	7.7	7.3	7.5	10.6	6.9	6.9	7.0	8.5
Nonfarm	5.6	7.3	7.1	7.3	9.7	6.2	6.5	7.0	8.5
Net exports of goods and services	4.8	2.0	1.5	3.3	1.0	.0	2.7	1.7	1.7
Gov't. purchases of goods & services	178.4	197.2	212.4	199.6	203.0	206.9	210.2	215.7	216.7
Federal	90.6	100.0	103.8	101.2	101.7	102.4	102.7	105.4	104.7
Defense	72.4	78.9	81.0	79.6	80.0	80.2	80.0	82.2	81.5
Other	18.2	21.1	22.8	21.5	21.7	22.2	22.7	23.2	23.2
State & local	87.8	97.2	108.6	98.4	101.2	104.5	107.5	110.3	112.0
Gross national product in constant (1958) dollars	673.1	706.7	728.5	712.3	718.4	723.5	727.4	730.0	733.0
GNP implicit deflator (1958=100)	117.3	121.8	126.8	122.3	123.5	124.9	126.1	127.6	128.7
Personal income	628.8	685.8	739.7	694.3	708.2	721.7	734.0	746.5	756.5
Wages and salaries	423.4	463.5	504.6	469.0	479.0	490.8	500.0	510.0	517.5
Disposable income	546.3	589.0	624.1	592.7	602.4	609.2	618.0	630.8	638.2
Personal saving	40.2	40.7	38.4	37.1	40.9	36.9	37.2	40.4	39.1
Saving rate (per cent)	7.4	6.9	6.2	6.3	6.8	6.1	6.0	6.4	6.1
Corporate profits before tax	81.6	92.3	94.4	92.7	95.7	96.0	95.0	94.0	92.5
Federal government receipts and expenditures (N.I.A. basis)									
Receipts	151.2	176.9	199.3	182.1	187.0	196.9	200.1	199.2	201.0
Expenditures	163.6	182.2	193.5	184.9	186.9	189.7	192.7	195.9	195.7
Surplus or deficit (-)	-12.4	-5.4	5.8	-2.8	0.2	7.2	7.4	3.3	5.3
Total labor force (millions)	80.8	82.3	84.1	82.4	82.6	83.7	84.0	84.2	84.4
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	80.6	78.8	79.1	80.2	80.5	80.7	80.9
Unemployment rate (per cent)	3.8	3.6	3.6	3.6	3.4	3.3	3.5	3.6	3.8
Nonfarm payroll employment (millions)	66.0	68.1	70.3	68.3	69.0	69.9	70.2	70.4	70.6
Manufacturing	19.4	19.7	20.0	19.8	19.9	20.1	20.1	20.0	19.9
Industrial production (1957-59=100)	158.1	164.7	172.3	165.2	167.4	170.0	171.8	173.0	174.5
Capacity utilization, manufacturing (per cent)	85.3	84.5	84.0	84.0	84.2	84.4	84.0	83.5	83.2
Housing starts, private (millions A.R.)	1.29	1.51	1.51	1.55	1.60	1.71	1.51	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

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1967	1968	1969 Proj.	1968		1969 Projected			
				III	IV	I	II	III	IV
-----In Billions of Dollars-----									
Gross National Product	42.1	70.9	63.3	18.1	16.4	15.9	14.0	14.2	12.0
Inventory change	-8.6	1.6	-4	-3.2	3.1	-3.6	.0	.1	1.5
Final sales	50.8	69.3	63.7	21.4	13.3	19.5	14.1	14.1	10.5
Private excluding net exports	28.8	53.3	49.0	16.2	12.2	16.6	8.1	9.6	9.5
Net exports	-.3	-2.8	-.5	1.3	-2.3	-1.0	2.7	-1.0	.0
Government	22.2	18.8	15.2	3.9	3.4	3.9	3.3	5.5	1.0
GNP in constant (1958) dollars	16.0	33.6	21.8	8.9	6.1	5.1	3.9	2.6	3.0
Final sales	24.0	32.4	22.3	12.0	3.2	8.6	3.9	2.8	1.1
Private	9.8	23.9	18.1	11.1	2.1	7.3	2.7	2.3	1.9
-----In Per Cent Per Year-----									
Gross National Product	5.6	9.0	7.4	8.5	7.5	7.1	6.2	6.2	5.2
Final sales	6.9	8.8	7.5	10.2	6.2	8.9	6.3	6.2	4.5
Private	5.0	8.3	7.4	10.8	6.0	9.3	6.3	4.9	5.4
Personal consumption expenditures	5.7	8.5	6.9	10.0	4.2	7.8	6.0	6.6	6.3
Durable goods	3.0	13.6	5.9	20.2	0.0	8.0	0.9	2.3	3.2
Nondurable goods	4.4	6.7	6.1	7.9	1.7	7.5	6.5	7.9	6.5
Services	8.2	8.4	8.1	8.6	8.2	7.9	7.2	6.9	7.1
Gross private domestic investment	-5.4	11.7	9.2	-0.6	29.9	7.0	-0.9	0.9	5.8
Residential construction	-0.8	21.5	4.0	0.0	28.5	11.4	-12.3	-12.7	-6.6
Business fixed investment	2.8	7.7	12.2	14.3	18.6	22.5	2.8	4.8	3.9
Gov't. purchases of goods & services	14.2	10.5	7.7	8.0	6.8	7.7	6.4	10.5	1.9
Federal	17.1	10.4	3.8	4.8	2.0	2.8	1.2	10.5	-2.7
Defense	19.5	9.0	2.7	3.0	2.0	1.0	-1.0	11.0	-3.4
Other	8.3	15.9	8.1	9.5	3.7	9.2	9.0	8.8	0.0
State & local	11.4	10.7	11.7	11.7	11.4	13.0	11.5	10.4	6.2
GNP in constant (1958) dollars	2.4	5.0	3.1	5.0	3.4	2.8	2.2	1.4	1.6
Final sales	3.7	4.9	3.2	6.9	1.8	4.9	2.2	1.6	0.6
Private	1.9	4.5	3.3	8.2	1.5	5.2	1.9	1.6	1.3
GNP implicit deflator	3.1	3.8	4.2	3.4 ^{1/}	4.1	4.3	4.0	4.8 ^{2/}	3.5
Personal income	7.2	9.1	7.9	9.6	8.0	7.6	6.8	6.8	5.4
Wages and salaries	7.3	9.5	8.9	10.0	8.5	9.9	7.5	8.0	5.9
Disposable income	6.8	7.8	6.0	4.4	6.5	4.5	5.8	8.3	4.7
Corporate profits before tax	-4.7	13.1	2.3	1.7	12.9	1.3	-4.2	-4.2	-6.4
Federal government receipts and expenditures (N.I.A. basis)									
Receipts	5.7	17.0	12.7	23.5	10.8	21.2	6.5	-1.8	3.6
Expenditures	14.9	11.4	6.2	6.6	4.3	6.0	6.3	6.6	-0.4
Nonfarm payroll employment	3.1	3.2	3.2	2.9	4.1	5.2	1.7	1.1	1.1
Manufacturing	1.0	1.5	1.5	2.0	2.0	4.0	0.0	-2.0	-2.0
Industrial production	1.2	4.2	4.6	2.4	5.3	6.2	4.2	3.2	3.5
Housing starts, private	10.9	16.7	0.0	29.7	14.5	27.8	-46.7	-30.2	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.

FLows OF FUNDS NONFINANCIAL CORPORATE BUSINESS
(Billions of dollars; seasonally adjusted annual rates)

	1968		1969		
	III	IV	Ip	Ile	IIle
Sources					
Internal funds (current surplus)	<u>66.1</u>	<u>65.9</u>	<u>64.4</u>	<u>65.3</u>	<u>65.7</u>
Undistrib. profits + IVA	20.2	19.1	16.7	16.7	16.3
Capital consumption	46.0	46.8	47.7	48.6	49.4
Credit & equity market instruments	<u>25.4</u>	<u>35.9</u>	<u>38.6</u>	<u>35.5</u>	<u>36.0</u>
Net new security issues	10.2	14.0	17.0	17.5	19.5
Other borrowing	15.1	22.0	21.6	18.0	16.5
Change in profit tax liability	-1.7	.9	3.0	-8.0	1.4
Uses					
Capital expenditures	<u>80.7</u>	<u>86.0</u>	<u>88.7</u>	<u>89.5</u>	<u>90.6</u>
Fixed investment	74.0	77.9	83.0	83.5	84.2
Change in inventories	6.6	8.1	5.8	6.0	6.4
Net trade credit	7.6	6.6	9.0	8.0	7.0
Misc. uses, net	-3.8	-2.5	.8	1.5	1.5
Change in liquid assets	4.1	12.4	6.3	-7.2	3.0
Discrepancy	1.2	.3	1.1	1.0	1.0
Memo:					
Cap. exp. less internal funds ("gap")	14.6	20.1	24.3	24.2	24.9
Liquid assets less change in tax liab.	5.8	11.5	3.3	.8	1.6

Note: Figures shown above reflect the use of new seasonal factors, primarily to take account of the current pattern of Federal income tax payments.

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

	FY 1968 Actual	Fiscal 1969			Calendar quarter						Calendar year
		Jan. Budget	5-20-69 Revision	F.R. Bd	1968		1969				1969 e/
					III	IV	I	II ^{e/}	III ^{e/}	IV ^{e/}	
<u>Quarterly data, unadjusted</u>											
New budget:											
Surplus/deficit	-25.2	2.4	.9	1.7	- 3.2	- 7.1	- 2.0	14.0	- 3.2	- 4.3	4.6
Receipts	153.7	186.1	186.5	187.9	43.6	39.3	44.2	60.9	48.0	43.0	196.1
Total expenditures and net lending	178.9	183.7	185.6	186.2	46.9	46.3	46.1	46.9	51.2	47.3	191.5
Means of financing:											
Total borrowing from the public	23.1	- 3.1	n.a.	- .4	7.7	3.4	.2	-11.5			
Decrease in cash operating balance	.4			- 2.3	- 3.3	3.9	- .1	- 2.8			
Other <u>1/</u>	1.7		n.a.	.9	- 1.1	- .2	1.9	.3			
Cash operating balance, end of period	5.3			7.6	8.6	4.7	4.8	7.6			
<u>Seasonally adjusted annual rate</u>											
Federal surplus/deficit											
in national income accounts	-11.3	2.7	1.7	3.0	- 2.8	.2	7.2	7.4	3.3	5.3	5.8
Receipts <u>2/</u>	161.1	190.0	190.0	191.6	182.1	187.1	196.9	200.1	199.2	201.0	199.3
Expenditures	172.4	187.3	188.3	188.6	184.9	186.9	189.7	192.7	195.9	195.7	193.5

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.