

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

December 10, 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.)

	1968	1969 Proj.	1970 Proj.	1969 *			1970 *				
				II	III	IV	Projected				
							I	II	III	IV	
Gross National Product	865.7	932.8	983.1	924.8	942.8	954.8	964.3	973.8	989.3	1004.8	
Final sales	858.4	924.0	976.2	917.9	932.0	943.8	955.8	966.8	983.3	998.8	
Private	658.1	709.2	752.6	705.0	715.0	724.7	735.8	746.5	757.7	770.2	
Excluding net exports	655.6	707.0	749.0	703.4	712.3	721.7	732.3	742.5	754.2	766.8	
Personal consumption expenditures	536.6	575.7	614.6	572.8	579.8	588.2	598.7	609.4	620.0	630.1	
Durable goods	83.3	89.7	90.8	90.6	89.8	90.0	90.0	90.0	91.0	92.0	
Nondurable goods	230.6	243.6	261.9	242.1	245.1	248.5	254.2	259.9	264.6	268.8	
Services	222.8	242.4	261.9	240.1	244.9	249.7	254.5	259.5	264.4	269.3	
Gross private domestic investment	126.3	140.1	141.3	137.4	143.3	144.5	142.1	140.1	140.2	142.7	
Residential construction	30.2	32.1	26.9	32.7	31.4	31.0	28.1	25.6	25.7	28.2	
Business fixed investment	88.8	99.2	107.5	97.8	101.1	102.5	105.5	107.5	108.5	108.5	
Change in business inventories	7.3	8.8	6.9	6.9	10.7	11.0	8.5	7.0	6.0	6.0	
Nonfarm	7.4	8.5	6.7	6.7	10.3	10.5	8.0	6.8	6.0	6.0	
Net exports of goods and services	2.5	2.2	3.6	1.6	2.7	3.0	3.5	4.0	3.5	3.4	
Gov't. purchases of goods & services	200.3	214.8	223.6	212.9	217.0	219.1	220.0	220.3	225.6	228.6	
Federal	99.5	102.1	100.9	100.6	103.2	102.8	101.2	99.0	101.6	101.8	
Defense	78.0	79.3	76.5	78.5	80.3	79.5	77.5	75.0	76.8	76.8	
Other	21.5	22.7	24.4	22.1	22.9	23.3	23.7	24.0	24.8	25.0	
State & local	100.7	112.7	122.7	112.3	113.8	116.3	118.8	121.3	124.0	126.8	
Gross national product in constant (1958) dollars	707.6	728.2	736.5	726.7	730.6	732.4	732.5	733.3	737.1	742.9	
GNP implicit deflator (1958=100)	122.3	128.1	133.5	127.3	129.0	130.4	131.6	132.8	134.2	135.3	
Personal income	687.9	747.0	795.2	740.5	756.5	766.5	775.9	788.4	801.9	814.6	
Wages and salaries	465.0	509.8	543.4	504.3	516.9	524.5	530.8	537.3	547.9	557.5	
Disposable income	590.0	629.4	674.9	622.0	639.0	646.3	657.7	667.7	682.4	691.9	
Personal saving	38.4	37.7	43.6	33.3	43.1	41.8	42.5	41.6	45.4	44.7	
Saving rate (per cent)	6.5	6.0	6.5	5.3	6.7	6.5	6.5	6.2	6.7	6.5	
Corporate profits before tax	91.1	93.5	86.3	95.4	92.4	90.5	88.5	85.5	85.0	86.0	
Federal government receipts and expenditures (N.I.A. basis)											
Receipts	176.3	201.5	199.4	202.8	201.4	203.2	198.1	199.5	198.2	201.9	
Expenditures	181.5	191.6	201.8	189.3	193.6	195.1	195.9	199.0	204.6	207.7	
Surplus or deficit (-)	-5.2	9.9	-2.4	13.5	7.8	8.1	2.2	0.5	-6.4	-5.8	
Total labor force (millions)	82.3	84.3	85.5	83.8	84.6	84.9	85.0	85.3	85.6	85.9	
Armed forces "	3.5	3.5	3.3	3.5	3.5	3.5	3.4	3.3	3.3	3.2	
Civilian labor force "	78.7	80.8	82.2	80.3	81.1	81.4	81.6	82.0	82.3	82.7	
Unemployment rate (per cent)	3.6	3.6	4.6	3.5	3.7	3.7	4.1	4.5	4.7	4.9	
Nonfarm payroll employment (millions)	67.9	70.2	70.9	70.0	70.4	70.6	70.8	70.8	70.9	71.2	
Manufacturing	19.8	20.2	19.9	20.1	20.2	20.1	20.1	19.9	19.8	19.9	
Industrial production (1957-59=100)	165.4	172.3	174.5	172.6	174.3	172.2	173.5	174.0	174.8	175.8	
Capacity utilization, manufacturing (per cent)	84.5	83.8	80.6	84.5	84.2	82.0	81.6	80.8	80.2	79.7	
Housing starts, private (millions A.R.)	1.51	1.48	1.13	1.51	1.43	1.25	1.13	1.00	1.10	1.30	
Sales new domestic autos (millions, A.R.)	8.62	8.42	8.48	8.54	8.45	8.32	8.35	8.35	8.45	8.75	

* 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

	1968	1969 Proj.	1970 Proj.	1969*			1970*			
				II	III	IV	Projected			
							I	II	III	IV
-----In Billions of Dollars-----										
Gross National Product	72.2	67.1	50.3	16.1	18.0	12.0	9.5	9.5	15.5	15.5
Inventory change	-0.1	1.5	-1.9	0.3	3.8	0.3	-2.5	-1.5	-1.0	0.0
Final sales	72.2	65.6	52.2	15.8	14.1	11.8	12.0	11.0	16.5	15.5
Private	52.0	51.1	43.4	12.9	10.0	9.7	11.1	10.7	11.2	12.5
Excluding net exports	54.7	51.4	42.0	12.8	8.9	9.4	10.6	10.2	11.7	12.6
Net exports	-2.7	-0.3	1.4	0.1	1.1	0.3	0.5	0.5	-0.5	-0.1
Government	20.2	14.5	8.8	2.9	4.1	2.1	0.9	0.3	5.3	3.0
GNP in constant (1958) dollars	33.0	20.6	8.3	3.6	3.9	1.8	0.1	0.8	3.8	5.8
Final sales	33.3	19.5	9.8	3.5	0.6	1.6	2.1	1.8	5.1	5.8
Private	24.9	18.1	12.3	3.9	1.4	1.8	3.2	3.5	4.2	5.3
-----In Per Cent Per Year-----										
Gross National Product	9.1	7.8	5.4	7.1	7.8	5.1	4.0	3.9	6.4	6.3
Final sales	9.2	7.6	5.6	7.0	6.1	5.1	5.1	4.6	6.8	6.3
Private	8.5	7.8	6.1	7.5	5.7	5.4	6.1	5.8	6.0	6.6
Personal consumption expenditures	9.0	7.3	6.8	7.7	4.9	5.8	7.1	7.1	7.0	6.5
Durable goods	14.1	7.7	1.2	10.0	-3.5	0.9	0.0	0.0	4.4	4.4
Nondurable goods	7.2	5.6	7.5	5.9	5.0	5.5	9.2	9.0	7.2	6.3
Services	9.1	8.8	8.0	8.7	8.0	7.8	7.7	7.9	7.6	7.4
Gross private domestic investment	8.9	10.9	0.9	6.5	17.2	3.3	-6.6	-5.6	0.3	7.1
Residential construction	20.8	6.3	-16.2	-7.2	-15.9	-5.1	-37.4	-35.6	1.6	38.9
Business fixed investment	6.1	11.7	8.4	10.5	13.5	5.5	11.7	7.6	3.7	0.0
Gov't. purchases of goods & services	11.2	7.2	4.1	5.5	7.7	3.9	1.6	0.5	9.6	5.3
Federal	9.7	2.6	-1.2	-3.9	10.3	-1.5	-6.2	-8.7	10.5	0.8
Defense	7.7	1.7	-3.5	-2.5	9.2	-4.0	-10.1	-12.9	9.6	0.0
Other	16.8	5.6	7.5	-8.9	14.5	7.0	6.9	5.1	13.3	3.2
State & local	12.8	11.9	8.9	14.0	5.3	8.8	8.6	8.4	8.9	9.0
GNP in constant (1958) dollars	4.9	2.9	1.1	2.0	2.1	1.0	0.1	0.1	1.3	3.1
Final sales	5.0	2.8	1.4	2.0	0.3	0.9	1.2	1.0	2.8	3.2
Private	4.7	3.3	2.2	2.8	1.0	1.3	2.2	2.6	2.7	3.6
GNP implicit deflator	4.0	4.7	4.2	5.1	5.6 ^{1/}	4.1	3.9	3.5	4.3 ^{2/}	3.1
Personal income	9.3	8.6	6.5	8.9	8.6	5.3	4.9	6.4	6.8	6.3
Wages and salaries	9.8	9.6	6.6	8.9	10.0	5.9	4.8	4.9	7.9	7.0
Disposable income	8.0	6.7	7.2	7.7	10.9	4.6	7.1	6.1	8.8	5.6
Corporate profits before tax	13.4	2.6	-7.7	0.4	-12.6	-8.2	-8.8	-13.6	-2.3	4.7
Federal government receipts and expenditures (N.I.A. basis)										
Receipts	16.7	14.3	-1.0	8.5	-2.8	3.6	-10.0	2.8	-2.6	7.5
Expenditures	10.8	5.6	5.3	1.7	9.1	3.1	1.6	6.3	11.3	6.1
Nonfarm payroll employment	3.0	3.4	1.0	2.9	2.3	1.1	1.1	0.0	0.6	1.7
Manufacturing	2.1	2.0	-1.5	0.0	2.0	-2.0	0.0	-4.0	-2.0	2.0
Industrial production	4.6	4.2	1.3	5.6	3.9	-4.8	3.0	-1.2	1.8	2.3
Housing starts, private	16.7	-2.1	-23.3	-48.3	-21.5	-50.9	-39.1	-44.4	40.0	72.7
Sales new domestic autos	14.0	-2.3	0.6	8.4	-4.2	-6.1	1.2	0.0	4.8	14.2

* 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.

^{1/} Excluding Federal pay increase 4.3 per cent.

^{2/} Excluding Federal pay increase 3.3 per cent.

PLANNED 1969 PLANT AND EQUIPMENT EXPENDITURES
RESULTS OF SUCCESSIVE COMMERCE-SEC SURVEYS
(Billions of dollars)

Survey date:	All Business	Manufacturing	Nonmanufacturing
February	73.0	30.7	42.3
May	72.2	30.0	42.2
August	70.9	29.7	41.2
November	71.3	29.7	41.6

Fourth quarter 1969 plans now show a small increase as opposed to the decline projected earlier with most of the upward revision in utilities, mining, and railroads. Spending in the first quarter of 1970 is projected to increase by \$3.5 billion, with most of this increase in the nonmanufacturing sector where utilities and communications

SURVEY OF PLANT AND EQUIPMENT EXPENDITURES PLANS COMMERCE-SEC
(Billions of dollars)

	1968 Actual	1969 Est.	1969		1970	
			III Actual	IV	I Planned	II
All Business	64.1	71.3	72.5	73.4	76.9	78.2
Manufacturing	26.4	29.7	30.5	30.6	31.2	31.9
Durable	13.5	15.3	15.6	15.5	15.8	16.3
Nondurable	12.9	14.4	14.9	15.1	15.4	15.6
Nonmanufacturing	37.7	41.6	42.0	42.8	45.7	46.3
----- Increases -----						
All Business	2.4	7.2	2.3	0.9	3.5	1.3
Manufacturing	-0.3	3.3	1.1	0.1	0.6	0.8
Durable	-0.2	1.8	0.2	-0.1	0.3	0.5
Nondurable	-0.1	1.5	0.9	0.2	0.3	0.2
Nonmanufacturing	2.7	3.9	1.2	0.8	2.9	0.6

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

	FY 1969 Actual	Calendar year 1969e/	Fiscal 1970 Summer budget review	F.R. Board	Calendar quarter					
					1969				1970	
					I	II	III	IVe/	Ie/	IIe/
<u>Quarterly data, unadjusted</u>										
New budget:										
Surplus/deficit	3.1	5.8	5.9	3.3	-2.0	15.3	-2.5	-5.0	-2.9	13.7
Receipts	187.8	196.5	198.8	196.2	44.1	60.8	47.9	43.7	44.5	60.1
Total expenditures and net lending	184.8	190.7	192.9	192.9	46.1	45.5	50.4	48.7	47.4	46.4
Means of financing:										
Total borrowing from the public	-1.4 ^{1/}	-4.5	[n.a.]	- .5	.2	-12.6	3.2 ^{2/}	4.7	.9	-9.3
Decrease in cash operating balance	- .6	-1.2		-1.9	- .1	-1.1	- .7	.7	1.3	-3.2
Other ^{3/}	-1.1	- .2		- .9	1.9	-1.7	--	- .4	.7	-1.2
Cash operating balance, end of period	5.9	5.9		7.8	4.8	5.9	6.6	5.9	4.6	7.8
<u>Seasonally adjusted annual rate</u>										
Federal surplus/deficit										
in national income accounts	4.9	9.9	5.1	4.7	10.1	13.5	7.8	8.1	2.2	.5
Receipts	192.3	201.5	201.2	200.6	198.6	202.8	201.4 ^{p/}	203.2	198.1	199.5
Expenditures	187.4	191.6	196.1	195.9	188.5	189.3	193.6	195.1	195.9	199.0
High employment budget surplus/deficit ^{4/}	2.7	9.7	n.a.	8.2	7.9	12.6	7.8	10.3	6.9	7.8

* 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.

p--Preliminary

^{1/} Excludes effect of conversion of agencies to private ownership.

^{2/} Excludes effect of reclassification of \$1.6 billion of CCC certificates of interest from Budget transactions to borrowing from the public.

^{3/} Includes such items as deposit fund accounts and clearing accounts.

^{4/} National Income account translation estimated by Federal Reserve staff.

CONFIDENTIAL (FR)

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

December 12, 1969

Corrections

Table on page II - 7, the change in GNP in constant (1958) dollars for 1970-II should read 0.4 per cent per year instead of 0.1 per cent.

Incorrect figures for industrial production and manufacturing capacity utilization rate were included in tables in GROSS NATIONAL PRODUCT AND RELATED ITEMS, pages II - 6 and -7. Correct figures are as follows:

	<u>Industrial Production</u>		<u>Capacity Utilization,</u>
	<u>1957-59 = 100</u>	<u>Per cent change</u>	<u>Manufacturing</u> <u>Per cent</u>
1968	165.4	4.6	84.5
1969	172.2	4.1	83.7
1970	171.9	-0.2	79.4
		<u>At annual rate</u>	
'69 - II	172.6	5.6	84.5
III	174.3	3.9	84.2
IV	171.6	-6.1	81.6
'70 - I	171.2	-1.0	80.4
II	171.2	0.0	79.6
III	172.0	1.9	79.0
IV	173.2	2.7	78.5