

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**

September 8, 1966

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GROSS NATIONAL PRODUCT AND RELATED ITEMS
(Expenditures and income figures are billions of dollars
seasonally adjusted annual rates)

	1964	1965	1966 Proj.	1965 IV	1966			
					I	II	Projected	
							III	IV
Gross National Product	631.7	681.2	740.1	704.4	721.2	732.3	746.0	760.7
Final sales	627.0	672.1	729.7	694.0	712.3	720.0	735.8	750.7
Personal consumption expenditures	401.4	431.5	466.1	445.2	455.6	460.1	469.5	479.0
Durable goods	59.4	66.1	68.9	68.0	70.3	67.1	68.5	69.5
Nondurable goods	178.9	190.6	207.3	197.0	201.9	205.6	209.0	212.5
Services	163.1	174.8	190.0	180.2	183.4	187.4	192.0	197.0
Gross private domestic investment	93.0	106.6	116.6	111.9	114.5	118.5	116.7	116.7
Residential construction	27.6	27.8	26.7	27.6	28.6	28.0	26.0	24.0
Business fixed investment	60.7	69.7	79.6	73.9	77.0	78.2	80.5	82.7
Changes in business inventories	4.7	9.1	10.3	10.4	8.9	12.3	10.2	10.0
Nonfarm	5.3	8.1	10.0	9.0	8.5	12.1	10.0	9.5
Net exports	8.5	7.0	4.9	6.1	6.0	4.7	4.5	4.5
Gov. purchases of goods & services	128.9	136.2	152.5	141.2	145.0	149.0	155.3	160.5
Federal	65.2	66.8	76.6	69.8	71.9	74.0	78.5	82.0
Defense	50.0	50.1	59.0	52.5	54.6	57.1	60.5	64.0
Other	15.2	16.7	17.6	17.3	17.4	16.9	18.0	18.0
State & local	63.7	69.4	75.9	71.4	73.1	75.0	76.8	78.5
Gross National Product in constant (1958) dollars	580.0	614.4	647.5	631.2	640.5	643.5	649.8	656.3
GNP Implicit deflator(1958=100)	108.9	110.9	114.3	111.6	112.6	113.8	114.8	115.9
Personal income	496.0	535.1	580.1	552.8	564.6	573.5	585.5	597.0
Wage and salaries	333.6	358.4	391.6	370.8	380.0	387.4	395.5	403.5
Personal contributions for social insurance (deduction)	12.5	13.2	17.5	13.5	16.9	17.1	17.9	18.0
Personal tax and nontax payments	59.4	66.0	73.9	66.7	69.5	73.6	75.6	77.0
Disposable personal income	436.6	469.1	506.2	486.1	495.1	499.9	509.9	520.0
Personal saving	24.5	25.7	26.8	28.5	26.7	26.6	26.8	27.0
Saving rate (per cent)	5.6	5.5	5.3	5.9	5.4	5.3	5.3	5.2
Total labor force (millions)	77.0	78.4	80.1	79.0	79.4	79.7	80.4	80.8
Armed forces "	2.7	2.7	3.1	2.8	2.9	3.1	3.2	3.3
Civilian labor force "	74.2	75.6	77.0	76.2	76.5	76.7	77.2	77.5
Employed "	70.4	72.2	74.0	73.0	73.6	73.7	74.2	74.6
Unemployed "	3.9	3.5	3.0	3.2	2.9	3.0	3.0	2.9
Unemployment rate (per cent)	5.2	4.6	3.9	4.2	3.8	3.9	3.9	3.7

Federal cash position. Despite a \$3.0 billion cash financing in late August, the Treasury's cash operating balance is being drawn down sharply in the current quarter. The \$6.0 billion balance now projected for the end of September is below the corresponding 1965 figure of \$7.5 billion and well below the 1961-64 average of \$8.8 billion.

The projected decline in the balance reflects a higher than usual third quarter cash deficit. Treasury cash payments ran well above projections in August and receipts fell somewhat short of expectations. A detailed breakdown of Treasury expenditures in August will not become available until later in September, but accelerated military expenditures account for most of the higher spending.

TREASURY CASH BALANCE AND DEFICIT
July - September
(Billions of dollars)

		1964	1965	1966	
Treasury cash operating balance	June 30	10.2	11.5	10.9	
	Sept. 30	9.4	7.5	6.0	proj.
Decline in balance		.8	4.0	4.9	"
Net cash borrowing, July-Sept.		3.2*	- .5*	2.0	"
Other sources of funds		- .2	+ .4	.6	"
Cash deficit		3.9	3.9	7.5	"

* Includes direct Treasury borrowing, attrition, and net Federal Agency financing.