

**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**

**January 5, 1966**

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

|  | Year  |                        | 1965            |                  |                   |                      | 1966                |
|--|-------|------------------------|-----------------|------------------|-------------------|----------------------|---------------------|
|  | 1964  | 1965<br>Esti-<br>mated | I <sup>1/</sup> | II <sup>1/</sup> | III <sup>1/</sup> | IV<br>Esti-<br>mated | I<br>Pro-<br>jected |
| Gross National Product                                     | 628.7 | 675.7                  | 657.6           | 668.8            | 681.5             | 695.0                | 707.0               |
| Personal consumption expenditures                          | 398.9 | 428.6                  | 416.9           | 424.5            | 432.5             | 440.5                | 447.1               |
| Durable goods  | 58.7  | 65.0                   | 64.6            | 63.5             | 65.4              | 66.4                 | 66.6                |
| Nondurable goods   | 177.5 | 188.8                  | 182.8           | 187.9            | 190.5             | 194.0                | 197.6               |
| Services   | 162.6 | 174.9                  | 169.5           | 173.1            | 176.7             | 180.1                | 182.9               |
| Gross private domestic investment                          | 92.9  | 104.9                  | 103.4           | 102.8            | 106.2             | 107.0                | 109.1               |
| Residential construction                                   | 27.5  | 27.7                   | 27.7            | 28.0             | 27.7              | 27.3                 | 27.5                |
| Business fixed investment                                  | 60.5  | 69.8                   | 66.9            | 68.4             | 70.9              | 73.1                 | 75.1                |
| Change in business inventories                             | 4.8   | 7.4                    | 8.8             | 6.4              | 7.6               | 6.6                  | 6.5                 |
| Nonfarm  | 5.4   | 7.1                    | 9.2             | 6.6              | 7.0               | 5.4                  | 5.5                 |
| Net exports  | 8.6   | 7.3                    | 6.0             | 8.0              | 7.4               | 7.8                  | 8.1                 |
| Gov. purchases of goods & services                         | 128.4 | 135.0                  | 131.3           | 133.5            | 135.4             | 139.7                | 142.7               |
| Federal  | 65.3  | 66.6                   | 64.9            | 65.7             | 66.5              | 69.4                 | 70.7                |
| Defense  | 49.9  | 49.9                   | 48.8            | 49.2             | 49.8              | 51.8                 | 52.7                |
| Other  | 15.4  | 16.7                   | 16.1            | 16.5             | 16.7              | 17.6                 | 18.0                |
| State and local  | 63.1  | 68.4                   | 66.4            | 67.8             | 68.9              | 70.3                 | 72.0                |
| Gross National Product in Constant<br>(1958) Dollars       | 577.6 | 609.3                  | 597.7           | 603.5            | 613.0             | 622.4                | 630.1               |
| Personal income  | 495.0 | 530.5                  | 516.2           | 524.7            | 536.0             | 544.9                | 552.0               |
| Wages and salaries   | 333.5 | 357.3                  | 348.9           | 353.6            | 359.0             | 367.5                | 374.1               |
| Farm income  | 12.0  | 14.2                   | 12.0            | 14.5             | 15.0              | 15.3                 | 15.3                |
| Personal contributions for<br>social insurance (deduction) | 12.4  | 13.2                   | 12.9            | 13.0             | 13.3              | 13.6                 | 16.6                |
| Disposable personal income                                 | 435.8 | 465.0                  | 451.4           | 458.5            | 471.2             | 478.7                | 485.1               |
| Personal saving  | 26.3  | 24.6                   | 23.3            | 22.4             | 26.8              | 26.0                 | 25.5                |
| Saving rate (per cent)                                     | 6.0   | 5.3                    | 5.2             | 4.9              | 5.7               | 5.4                  | 5.3                 |
| Total labor force (millions)                               | 77.0  | 78.3                   | 77.7            | 78.2             | 78.5              | 78.9                 | 79.6                |
| Armed forces "   | 2.7   | 2.7                    | 2.7             | 2.7              | 2.7               | 2.8                  | 2.9                 |
| Civilian labor force "                                     | 74.2  | 75.6                   | 75.0            | 75.5             | 75.8              | 76.1                 | 76.7                |
| Employed "   | 70.4  | 72.1                   | 71.3            | 71.9             | 72.4              | 72.9                 | 73.6                |
| Unemployed "   | 3.9   | 3.5                    | 3.6             | 3.6              | 3.4               | 3.2                  | 3.1                 |
| Unemployment rate (per cent)                               | 5.2   | 4.6                    | 4.8             | 4.7              | 4.4               | 4.2                  | 4.0                 |

<sup>1/</sup> Department of Commerce revised income and product figures (first three quarters of 1965). They are STRICTLY CONFIDENTIAL and may not be quoted until released by Commerce (tentatively scheduled for around mid-January).

Industrial Production  
1957-59=100

|                     | Annual Average |       |       | % Change        | 1963       |
|---------------------|----------------|-------|-------|-----------------|------------|
|                     | e 1965         | 1964  | 1963  | 1964 to<br>1965 | to<br>1964 |
| Total               | 142.7          | 132.3 | 124.3 | 7.9             | 6.4        |
| Consumer goods      | 140            | 132   | 125   | 6.2             | 5.2        |
| Consumer durables   | 159            | 143   | 134   | 11.1            | 6.3        |
| Autos               | 184            | 151   | 150   | 22.0            | 0.7        |
| Home goods          | 153            | 141   | 130   | 8.4             | 8.9        |
| Apparel and staples | 134            | 128   | 122   | 4.3             | 4.7        |
| Business equipment  | 156            | 139   | 128   | 12.4            | 8.4        |
| Defense equipment   | 114            | 108   | 110   | 5.4             | -2.1       |
| Materials           | 143            | 133   | 124   | 7.9             | 7.4        |
| Durables            | 143            | 131   | 121   | 9.2             | 8.3        |
| Iron and steel      | 134            | 127   | 110   | 5.6             | 15.4       |
| Nondurables         | 143            | 134   | 126   | 6.7             | 6.3        |

e--estimated

The large increase shown for auto assemblies in 1965 reflects in part the strikes in late 1964. While at record rates in 1965, auto assemblies, at 9.3 million, showed little change in level during the year. Output of home goods reached a peak in March, drifted slowly downward through August, and then rose sharply to new highs by the end of the year. Output of business and defense equipment rose vigorously through the year with some further acceleration at year's end.

Iron and steel rose to a new high prior to settlement of the wage contract and then dropped sharply. In December, however, steel ingot production turned up.