

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 28, 1966

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

	1964	1965	1966 Proj.	1965 IV	1966			
					I	II	Projected	
							III	IV
Gross National Product	631.7	681.2	740.4	704.4	721.2	732.3	746.5	761.0
Final sales	627.0	672.1	730.0	694.0	712.3	720.0	736.0	751.7
Personal consumption expenditures	401.4	431.5	466.9	445.2	455.6	460.1	471.0	481.0
Durable goods	59.4	66.1	69.1	68.0	70.3	67.1	69.0	70.0
Nondurable goods	178.9	190.6	207.9	197.0	201.9	205.6	210.0	214.0
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	116.0	111.9	114.5	118.5	116.0	115.0
Residential construction	27.6	27.8	26.4	27.6	28.6	28.0	25.5	23.5
Business fixed investment	60.7	69.7	79.4	73.9	77.0	78.2	80.0	82.2
Changes in business inventories	4.7	9.1	10.3	10.4	8.9	12.3	10.5	9.3
Nonfarm	5.3	8.1	10.3	9.0	8.5	12.1	11.0	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	152.4	141.2	145.0	149.0	155.0	160.5
Federal	65.2	66.8	76.5	69.8	71.9	74.0	78.2	81.9
Defense	50.0	50.1	59.3	52.5	54.6	57.1	61.0	64.5
Other	15.2	16.7	17.2	17.3	17.4	16.9	17.2	17.4
State & local	63.7	69.4	75.9	71.4	73.1	75.0	76.8	78.6
Gross National Product in constant (1958) dollars	580.0	614.4	647.6	631.2	640.5	643.5	649.7	656.5
GNP Implicit deflator(1958 = 100)	108.9	110.9	114.3	111.6	112.6	113.8	114.9	115.9
Personal income	496.0	535.1	580.5	552.8	564.6	573.5	585.5	598.5
Wage and salaries	333.6	358.4	392.7	370.8	380.0	387.4	397.0	406.5
Disposable personal income	436.6	469.1	506.2	486.1	495.1	499.9	509.4	520.5
Saving rate (per cent)	5.6	5.5	5.1	5.9	5.4	5.3	4.9	4.9
Per cent change, annual rate								
GNP, current dollar	7.0	7.8	8.7	10.4	9.5	6.2	7.8	7.8
Implicit deflator	1.6	1.8	3.1	2.2	3.6	4.3	3.9	3.5
Real GNP	5.3	5.9	5.4	8.4	5.9	1.9	3.9	4.2
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

financing cycle which is expected to raise \$400 million of cash each month until next June.

The Treasury also indicated that its next major cash borrowing is expected to be announced in early October with the payment date after mid-October. The Treasury may raise perhaps \$3.0 billion to \$3.5 billion in this financing which will probably involve tax bills. Over the balance of the calendar year, many market observers expect the Treasury to raise a total of around \$8.0 billion, a figure derived from a recent statement made to the press by President Johnson. On this assumption, the Treasury would be raising some \$11.0 billion over the second half of 1966, a figure that was last approached, but not equalled, in the second half of 1959, as the table indicates.

TREASURY GROSS CASH FINANCINGS
(Amounts in billions)

Year	3rd Quarter		4th Quarter		Total Second half
	Additions to bills	Other	Additions to bills	Other	
1959	5.1	--	2.5	2.3	9.9
1960	3.0	- 0.7	3.0	--	5.3
1961	5.9	--	0.8	--	6.7
1962	4.1	1.6	2.1	--	7.8
1963	2.5	--	1.8	0.4	4.7
1964	4.2	--	1.5	0.8	6.5
1965	4.0	--	2.5	*	6.5
1966	3.4	--	(7.5 - 8.0?)		11.0 proj.

* Less than \$50 million. All figures are based on payment dates.