

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**

July 20, 1966

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THE ECONOMIC PICTURE IN DETAIL

The Nonfinancial Scene

Gross national product. Gross national product is projected at a seasonally adjusted annual rate of \$746 billion in the third quarter, up \$14 billion from the second. This increase is larger than in the second quarter but smaller than in the first quarter in both current and constant dollars. (See Appendix C for summary of the Department of Commerce revision of GNP.)

CHANGES IN GNP AND MAJOR COMPONENTS
(Billions, seasonally adjusted annual rates)

	1966		
	I	II	III Projected
Gross national product	16.8	10.8	14.0
Expanding in Q III	<u>17.4</u>	<u>8.9</u>	<u>17.3</u>
Personal consumption expenditures	10.4	3.3	9.6
Business fixed investment	3.1	1.3	3.0
Federal defense purchases	2.1	2.4	2.5
Other Federal purchases	.1	.2	.7
State & local govt. purchases	1.7	1.7	1.5
No change or declining in Q III	<u>-.6</u>	<u>1.9</u>	<u>-3.3</u>
Net exports	.1	-.7	--
Residential construction	1.0	-.5	-.8
Change in business inventories	-1.5 <u>a/</u>	3.1 <u>a/</u>	-2.5 <u>a/</u>

a/ These are changes in rates of accumulation of business inventories.

Consumer spending is the key factor accounting for the slower rise in GNP in the second quarter and the anticipated acceleration in the third quarter. These shifts in consumer spending correspond fairly

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

	1964	1965	1965		1966 Proj.		
			III	IV	I	II	III
Gross national product	631.7	681.2	686.5	704.4	721.2	732.0	746.0
Final sales	627.0	672.1	677.8	694.0	712.3	720.0	736.5
Personal consumption expenditures	401.4	431.5	435.0	445.2	455.6	458.9	468.5
Durable goods	59.4	66.1	66.7	68.0	70.3	66.8	68.3
Nondurable goods	178.9	190.6	191.4	197.0	201.9	204.7	208.7
Services	163.1	174.8	176.9	180.2	183.4	187.4	191.5
Gross private domestic investment	93.0	106.6	106.7	111.9	114.5	118.4	118.1
Residential construction	27.6	27.8	27.8	27.6	28.6	28.1	27.3
Business fixed investment	60.7	69.7	70.2	73.9	77.0	78.3	81.3
Changes in business inventories	4.7	9.1	8.7	10.4	8.9	12.0	9.5
Nonfarm	5.3	8.1	7.2	9.0	8.5	11.8	9.5
Net exports	8.5	7.0	7.1	6.1	6.0	5.3	5.3
Govt. purchases of goods and services	128.9	136.2	137.7	141.2	145.0	149.4	154.1
Federal	65.2	66.8	67.5	69.8	71.9	74.6	77.8
Defense	50.0	50.1	50.7	52.5	54.6	57.0	59.5
Other	15.2	16.7	16.8	17.3	17.4	17.6	18.3
State and local	63.7	69.4	70.2	71.4	73.1	74.8	76.3
Gross national product in constant (1958) dollars	580.0	614.4	618.2	631.2	640.5	644.2	651.2
GNP implicit deflator (1958=100)	108.9	110.9	111.0	111.6	112.6	113.6	114.6
Personal income	496.0	535.1	541.9	552.8	564.6	573.3	586.5
Wages and salaries	333.6	358.4	360.8	370.8	380.0	387.2	396.0
Personal contributions for social insurance (Deduction)	12.5	13.2	13.2	13.5	16.9	17.1	17.9
Personal tax and nontax payments	59.4	66.0	65.7	66.7	69.5	73.6	75.5
Disposable personal income	436.6	469.1	476.2	486.1	495.1	499.7	511.0
Personal saving	24.5	25.7	29.0	28.5	26.9	27.6	28.9
Saving rate (per cent)	5.6	5.5	6.1	5.9	5.4	5.5	5.7
Total labor force (millions)	77.0	78.4	78.5	79.0	79.4	79.7	80.2
Armed forces	2.7	2.7	2.7	2.8	2.9	3.1	3.2
Civilian labor force"	74.2	75.6	75.8	76.2	76.5	76.7	77.0
Employed	70.4	72.2	72.4	73.0	73.6	73.7	74.2
Unemployed	3.9	3.5	3.4	3.2	2.9	3.0	2.8
Unemployment rate (per cent)	5.2	4.6	4.5	4.2	3.8	3.9	3.7

*GNP expenditure and income figures are based on Department of Commerce revised data.

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SUPPLEMENT

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By the Staff
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July 22, 1966

FEDERAL BUDGETS
(In billions of dollars)

	By Half-Years				By Fiscal Years			
	July - Dec. 1964	Jan. - June 1965	July - Dec. 1965	Jan. - June 1966	1964	1965	1966	Jan. 1966 Budget Document
Half-year totals, not seasonally adjusted								
Administrative Budget								
Receipts	39.6	53.5	43.2	61.4	89.5	93.1	104.6	100.0
Expenditures	48.1	48.4	53.0	53.9	97.7	96.5	106.9	106.4
Deficit (-)	- 8.5	5.2	- 9.9	7.5	- 8.2	- 3.4	- 2.3	- 6.4
Cash Budget								
Receipts	51.3	68.4	55.0	79.4	115.5	119.7	134.4	128.2
Payments	61.5	60.9	67.1	70.5	120.3	122.4	137.6	135.0
Deficit (-)	-10.2	7.5	-12.0	9.1	- 4.8	- 2.7	- 3.2	- 6.9
Annual Rates, seasonally adjusted								
National Income Budget								
Receipts	116.3	124.5	125.4	138.7	115.0	120.4	132.0	128.8
Expenditures	118.1	120.2	126.7	135.7	116.3	119.1	131.2	131.0
Deficit (-)	- 1.8	4.3	- 1.3	3.0	- 1.3	1.3	.8	- 2.2
Full Employment Budget								
Receipts	121.2	128.8	128.0	138.8	120.8	125.0	133.4	
Expenditures	117.6	119.8	126.4	135.7	115.2	118.8	131.0	
Surplus (+)	3.6	9.0	1.6	3.1	5.6	6.3	2.4	