

## **Part 1**

### **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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### **Summary and Outlook**

**Prepared for the Federal Open Market Committee  
By the staff of the Board of Governors of the Federal Reserve System**

CONFIDENTIAL (FR)

March 12, 1975

SUMMARY AND OUTLOOK

By the Staff  
Board of Governors  
of the Federal Reserve System

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## **SUMMARY AND OUTLOOK**

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## STAFF GNP PROJECTIONS

	Per cent change, annual rate							
	Changes in nominal GNP (\$ billions)		Real GNP		Gross private product fixed weighted price index		Unemployment rate (per cent)	
	2/12/75	3/12/75	2/12/75	3/12/75	2/12/75	3/12/75	2/12/75	3/12/75
1971 1/	77.8	77.8	3.3	3.3	4.3	4.3	5.9	5.9
1972 1/	103.1	103.1	6.2	6.2	3.3	3.3	5.6	5.6
1973 1/	136.9	136.9	5.9	5.9	6.3	6.3	4.9	4.9
1974 1/	101.8	102.4	-2.2	-2.2	11.4	11.4	5.6	5.6
1975	55.8	53.2	-4.5	-4.6	8.8	8.8	9.1	9.1
1973-III 1/	31.0	31.0	1.6	1.6	3.4	8.4	4.8	4.8
IV 1/	35.1	35.1	2.3	2.3	9.1	9.1	4.8	4.8
1974-I 1/	14.8	14.3	-7.0	-7.0	14.1	14.1	5.2	5.2
II 1/	25.0	25.0	-1.6	-1.6	12.3	12.3	5.1	5.1
III 1/	32.5	32.5	-1.9	-1.9	13.8	13.8	5.5	5.5
IV 1/	11.7	13.9	-9.1	-9.1	12.0	12.6	6.6	6.6
1975-I	-14.5	-16.2	-10.5	-10.9	7.0	7.0	8.5	8.4
II	9.5	9.0	-3.6	-3.7	6.5	6.5	9.2	9.2
III	40.5	36.5	5.1	4.9	6.5	5.5	9.5	9.5
IV	46.5	46.0	6.5	6.9	5.8	5.2	9.3	9.3
1976-I	38.0	35.5	4.5	4.6	5.5	4.8	9.3	9.3
II	36.0	33.0	4.0	4.2	5.4	4.5	9.3	9.2
Change:								
73-IV to 74-IV								
74-IV	34.0	36.2	-5.0	-5.0	12.9	13.0	1.8	1.8
74-II to 75-II								
75-II	39.2	39.2	-6.3	-6.5	9.6	9.8	4.1	4.1
74-IV to 75-IV								
75-IV	82.0	75.3	- .9	- .9	6.4	6.0	2.7	2.7
75-II to 76-II								
76-II	161.0	151.0	5.0	5.1	5.8	5.0	.1	.0

1/ Actual.

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

	1974		1975				1976	
			Projection					
	III	IV	I	II	III	IV	I	II
Gross National Product	1416.3	1430.2	1414.0	1423.0	1459.5	1505.5	1541.0	1574.0
Final purchases	1407.6	1412.4	1425.0	1439.5	1470.8	1510.0	1540.5	1571.5
Private	1095.3	1088.6	1095.1	1104.1	1128.4	1156.6	1178.8	1201.7
Excluding net exports	1098.4	1087.4	1094.3	1104.7	1130.9	1161.9	1186.9	1210.7
Personal consumption expenditures	901.3	895.8	909.7	918.8	939.7	963.1	981.0	998.5
Durable goods	136.1	120.7	124.0	121.5	126.2	131.2	136.2	138.7
Nondurable goods	389.0	391.7	395.7	400.5	407.7	417.5	421.9	428.7
Services	376.2	383.5	390.0	396.8	405.8	414.4	422.9	431.1
Gross private domestic investment	205.8	209.4	173.6	169.4	179.9	194.3	206.4	214.7
Residential construction	46.2	40.4	36.6	40.1	44.2	48.7	52.7	55.8
Business fixed investment	150.9	151.2	148.0	145.8	147.0	150.1	153.2	156.4
Change in business inventories	8.7	17.8	-11.0	-16.5	-11.3	-4.5	.5	2.5
Nonfarm	6.6	17.5	-9.5	-15.5	-10.8	-4.5	.5	2.5
Net exports of goods and services <u>1/</u>	-3.1	1.2	.8	-.6	-2.5	-5.3	-8.1	-9.0
Exports	143.6	146.4	135.9	129.1	130.1	134.3	138.5	145.3
Imports	146.7	145.3	135.1	129.7	132.6	139.6	146.6	154.3
Gov't. purchases of goods and services	312.3	323.8	329.9	335.4	342.4	353.4	361.7	369.8
Federal	117.2	124.5	125.5	126.9	128.7	133.9	136.3	138.2
Defense	78.4	84.0	84.0	84.5	85.7	89.5	91.0	92.5
Other	38.8	40.6	41.5	42.4	43.0	44.4	45.3	45.7
State & local	195.1	199.3	204.4	208.5	213.7	219.5	225.4	231.6
Gross national product in constant (1958) dollars	823.1	803.8	781.0	773.7	783.0	796.3	805.2	813.5
GNP implicit deflator (1958 = 100)	172.1	177.9	181.0	183.9	186.4	189.1	191.4	193.5
Personal income	1168.2	1186.9	1193.4	1212.6	1243.1	1269.7	1293.1	1318.0
Wage and salary disbursements	763.0	769.2	762.3	769.8	783.2	800.4	816.7	832.9
Disposable income	993.1	1008.8	1014.1	1047.0	1091.3	1096.5	1105.9	1125.6
Personal saving	65.5	86.5	77.8	101.4	124.4	105.5	96.4	98.1
Saving rate (per cent)	6.6	8.6	7.7	9.7	11.4	9.6	8.7	8.7
Corporate profits & inventory val. adj.	105.8	104.4	86.5	78.6	90.1	105.1	108.6	111.9
Corporate profits before tax	157.0	134.3	114.5	103.5	108.5	117.5	119.0	120.5
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts <u>2/</u>	302.8	296.4	288.8	271.7	260.1	286.1	305.1	312.0
Expenditures	304.7	319.3	334.6	343.6	357.2	368.5	375.2	380.6
Surplus or deficit (-) <u>2/</u>	-1.9	-22.9	-45.8	-71.9	-97.1	-82.4	-70.1	-68.6
High employment surplus or deficit (-)	24.7	17.2	12.4	-2.1	-27.7	-16.8	-5.7	-3.1
State and local government surplus or deficit (-), (N.I.A. basis)	2.1	-.1	-3.4	-4.9	-5.8	-4.0	-3.2	-3.8
Total labor force (millions)	93.6	94.0	94.0	94.3	94.5	94.5	94.7	94.9
Armed forces "	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Civilian labor force "	91.4	91.8	91.8	92.1	92.3	92.3	92.5	92.7
Unemployment rate (per cent)	5.5	6.6	8.4	9.2	9.5	9.3	9.3	9.2
Nonfarm payroll employment (millions)	78.7	78.3	76.6	76.2	76.0	76.2	76.3	76.7
Manufacturing	20.1	19.6	18.2	17.6	17.5	17.5	17.6	17.7
Industrial production (1967 = 100)	125.4	121.4	110.7	108.8	110.6	113.3	115.3	116.9
Capacity utilization, mfg. (per cent)	79.4	75.6	68.0	66.3	66.9	68.0	68.7	69.1
Major materials (per cent)	88.5	79.3	69.8	67.7	68.6	69.6	70.7	71.4
Housing starts, private (millions, A.R.)	1.21	1.00	1.05	1.25	1.45	1.60	1.70	1.63
Sales new autos (millions, A.R.)	10.07	7.38	8.50	7.75	8.25	9.00	9.50	9.50
Domestic models	8.52	6.05	6.75	6.25	6.75	7.50	8.00	8.00
Foreign models	1.55	1.33	1.75	1.50	1.50	1.50	1.50	1.50
<u>1/</u> Net exports of g. & s. (Bal. of Paymts.) <u>-1.3</u> <u>3/</u> .8			.5	-.9	-2.8	-5.6	-8.4	-9.3
Exports	146.8	152.8	142.3	135.5	136.5	140.7	144.9	151.7
Imports	148.1	152.0	141.8	136.4	139.3	146.3	153.3	161.0

2/ Federal government N.I.A. receipts are reduced in 1975-II and III to reflect the \$8.0 billion rebate of 1974 individual income taxes and in 1975-III and IV to effect the \$8.4 billion reduction in 1975 individual income taxes in those quarters. In 1976-I and following quarters revenues are reduced by the continuing tax cut.

3/ Includes shipments of military equipment and supplies to Israel which are not included in GNP exports; amounts billions of dollars are: 1974-III, \$.3; 1974-IV, \$.4; 1975-I and II, \$.3.

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CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1974		1975				1976	
	III	IV	Projection		III	IV	I	II
			I	II				
-----Billions of Dollars-----								
Gross National Product	32.5	13.9	-16.2	9.0	36.5	46.0	35.5	33.0
Inventory change	-4.8	9.1	-28.8	-5.5	5.2	6.8	5.0	2.0
Final purchases	37.3	4.8	12.6	14.5	31.3	39.2	30.5	31.0
Private	29.4	-6.7	6.5	9.0	24.3	28.2	22.2	22.9
Net exports	-1.6	4.3	-.4	-1.4	-1.9	-2.8	-2.8	-.9
Excluding net exports	31.0	-11.0	6.9	10.4	26.2	31.0	25.0	23.8
Personal consumption expenditures	32.2	-5.5	13.9	9.1	20.9	23.4	17.9	17.5
Durable goods	6.6	-15.4	3.3	-2.5	4.7	5.0	5.0	2.5
Non durable goods	13.2	2.7	4.0	4.8	7.2	9.8	4.4	6.8
Services	12.4	7.3	6.5	6.8	9.0	8.6	8.5	8.2
Residential fixed investment	-2.6	-5.8	-3.8	3.5	4.1	4.5	4.0	3.1
Business fixed investment	1.5	.3	-3.2	-2.2	1.2	3.1	3.1	3.2
Government	7.9	11.5	6.1	5.5	7.0	11.0	8.3	8.1
Federal	2.9	7.3	1.0	1.4	1.8	5.2	2.4	1.9
State and local	5.0	4.2	5.1	4.1	5.2	5.8	5.9	6.2
GNP in constant (1958) dollars	-4.0	-19.3	-22.8	-7.3	9.3	13.3	8.9	8.3
Final purchases	-.8	-25.2	-4.4	-4.0	6.8	8.9	4.6	6.5
Private	-.9	-25.6	-5.2	-5.2	6.2	9.0	5.7	5.9
-----In Per Cent Per Year <sup>1/</sup> -----								
Gross National Product	9.7	4.0	-4.5	2.6	10.7	13.2	9.8	8.8
Final purchases	11.3	1.4	3.6	4.1	9.0	11.1	8.3	8.3
Private	11.5	-2.4	2.4	3.3	9.1	10.4	7.9	8.0
Personal consumption expenditures	15.7	-2.4	6.4	4.1	9.4	10.3	7.6	7.3
Durable goods	22.0	-38.1	11.4	-7.8	16.4	16.8	16.1	7.5
Non durable goods	14.8	2.8	4.1	4.9	7.4	10.0	4.3	6.6
Services	14.3	8.0	7.0	7.2	9.4	8.8	8.5	8.0
Gross private domestic investment	-10.9	7.2	-52.8	-9.3	27.2	36.1	27.3	17.1
Residential structures	-19.7	-41.5	-32.6	44.1	47.6	47.4	37.1	25.7
Business fixed investment	4.1	.8	-8.2	-5.8	3.3	8.7	8.5	8.6
Gov't purchases of goods and services	10.8	15.6	7.8	6.8	8.6	13.5	9.7	9.3
Federal	10.5	27.3	3.3	4.5	5.8	17.2	7.4	5.7
Defense	9.7	31.8	.0	2.4	5.8	19.0	6.9	6.8
Other	12.2	19.9	9.2	9.0	5.8	13.7	8.4	3.6
State and local	10.9	8.9	10.6	8.3	10.4	11.3	11.2	11.5
GNP in constant (1958) dollars	-1.9	-9.1	-10.9	-3.7	4.9	6.9	4.6	4.2
Final purchases	-.4	-11.8	-2.2	-2.0	3.5	4.6	2.3	3.3
Private	-.5	-14.4	-3.2	-3.2	4.0	5.7	3.5	3.7
GNP implicit deflator	11.9	14.42/	7.22/	6.5	5.5	5.92/	5.02/	4.5
Private GNP fixed weighted index <sup>3/</sup>	13.8	12.6	7.0	6.5	5.5	5.2	4.8	4.5
Personal income	12.4	6.6	2.2	6.6	10.4	8.8	7.6	7.9
Wage and salary disbursements	9.9	3.3	-3.5	4.0	7.1	9.1	8.4	8.2
Disposable income	11.5	6.5	2.1	13.6	18.0	1.9	3.5	7.3
Corporate profits before tax	52.8	-46.5	-47.2	-33.2	20.8	37.5	5.2	5.1
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	21.2	-8.2	-9.9	-21.7	-16.0	46.4	29.3	9.4
Expenditures	19.2	20.6	20.6	11.2	16.8	13.3	7.5	5.9
Nonfarm payroll employment	1.7	-1.7	-8.5	-2.1	-1.0	1.1	.5	2.1
Manufacturing	-.6	-10.4	-25.5	-12.5	-2.3	.0	2.3	2.3
Industrial production	-.2	-12.3	-30.9	-6.6	6.7	10.2	7.4	5.7
Housing starts, private	-60.7	-53.4	22.0	100.9	81.1	48.3	27.4	-15.5
Sales new autos	43.5	-71.2	76.2	-30.9	28.4	41.6	24.1	.0
Domestic models	31.7	-74.6	55.3	-26.5	36.0	52.4	29.5	.0
Foreign models	138.3	-46.2	199.7	-46.0	.0	.0	.0	.0

<sup>1/</sup> Percentage rates are annual rates compounded quarterly.<sup>2/</sup> Excluding Federal pay increases rates of change are: 1974-IV, 13.7 per cent; 1975-I, 7.0 per cent; 1975-IV, 5.2 per cent; and 1976-I, 4.8 per cent.<sup>3/</sup> Using expenditures in 1967 as weights.

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

	1972		1973				1974	
	III	IV	I	II	III	IV	I	II
Gross National Product	1169.3	1204.7	1248.9	1277.9	1308.9	1344.0	1358.8	1383.8
Final purchases	1159.1	1193.7	1238.9	1267.2	1297.0	1315.1	1341.9	1370.3
Private	904.0	931.1	969.9	993.9	1020.1	1028.7	1045.6	1065.9
Excluding net exports	908.8	936.4	970.7	993.4	1013.4	1019.4	1034.3	1067.4
Personal consumption expenditures	736.8	757.2	781.7	799.0	816.3	823.9	840.6	869.1
Durable goods	121.2	124.3	132.4	132.1	132.4	124.3	123.9	129.5
Non durable goods	302.0	310.9	323.3	332.7	343.8	352.1	364.4	375.8
Services	313.6	322.0	325.9	334.2	340.1	347.4	352.4	363.8
Gross private domestic investment	182.1	190.2	199.0	205.1	209.0	224.5	210.5	211.8
Residential construction	54.5	56.7	58.5	58.7	58.1	53.6	48.4	48.8
Business fixed investment	117.5	122.5	130.5	135.6	139.0	141.9	145.2	149.4
Change in business inventories	10.2	11.0	10.0	10.7	11.8	28.9	16.9	13.5
Nonfarm	9.6	10.4	6.5	7.7	7.4	24.0	13.1	10.4
Net exports of goods and services <sup>1/</sup>	-4.8	-5.3	-.8	.5	6.7	9.3	11.3	-1.5
Exports	73.3	78.5	88.8	95.4	103.7	113.6	131.2	138.5
Imports	78.1	83.8	89.5	94.9	96.9	104.3	119.9	140.0
Gov't. purchases of goods and services	255.1	262.6	269.0	273.3	276.9	286.4	296.3	304.4
Federal	102.7	105.2	106.4	106.2	105.3	108.4	111.5	114.3
Defense	72.6	74.7	75.0	74.0	73.3	75.3	75.8	76.6
Other	30.1	30.5	31.4	32.2	32.0	33.1	35.7	37.7
State & local	152.4	157.4	162.6	167.1	171.6	177.9	184.8	190.1
Gross national product in constant (1958) dollars	798.1	814.2	832.8	837.4	840.8	845.7	830.5	827.1
GNP implicit deflator (1958 = 100)	146.5	148.0	150.0	152.6	155.7	158.9	163.6	167.3
Personal income	950.3	985.0	1013.6	1039.2	1068.0	1099.3	1112.5	1134.6
Wage and salary disbursements	631.4	647.5	667.6	683.8	698.2	717.0	727.6	745.2
Disposable income	807.2	838.1	869.5	892.1	913.9	939.4	950.6	966.5
Personal saving	49.3	58.9	65.3	69.6	73.2	89.3	84.4	71.5
Saving rate (per cent)	6.1	7.0	7.5	7.8	8.0	9.5	8.9	7.4
Corporate profits & inventory val. adj.	92.9	99.8	103.9	105.0	105.2	106.4	107.7	105.6
Corporate profits before tax	100.2	108.2	120.4	124.9	122.7	122.7	135.4	139.0
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	228.4	235.6	249.1	255.0	261.8	268.3	278.1	288.6
Expenditures	238.2	261.2	260.2	262.4	263.4	270.6	281.0	291.6
Surplus or deficit (-)	-9.8	-25.6	-11.2	-7.4	-1.7	-2.3	-2.8	-3.0
High employment surplus or deficit (-)	1.3	-19.2	-8.5	-3.4	4.6	4.8	14.0	19.6
State and local government surplus or deficit (-), (N.I.A. basis)	9.2	19.1	13.2	10.4	8.4	4.6	3.2	2.0
Total labor force (millions)	89.3	89.6	90.0	90.8	91.3	92.1	92.7	92.9
Armed forces	2.4	2.4	2.4	2.3	2.3	2.3	2.3	2.2
Civilian labor force "	86.9	87.1	87.6	88.5	89.0	89.8	90.5	90.6
Unemployment rate (per cent)	5.6	5.3	5.0	4.9	4.8	4.8	5.2	5.1
Nonfarm payroll employment (millions)	74.0	74.9	75.8	76.5	77.1	77.8	78.0	78.3
Manufacturing	17.5	19.5	19.8	20.0	20.1	20.3	20.2	20.2
Industrial production (1967 = 100)	116.3	120.2	123.1	124.8	126.7	127.0	124.9	125.5
Capacity utilization, mfg. (per cent)	79.4	81.5	82.8	83.3	83.3	82.6	80.5	80.1
Major materials (per cent)	90.6	92.3	93.0	93.4	93.5	92.3	90.2	90.2
Housing starts, private (millions, A.R.)	2.36	2.39	2.39	2.21	2.01	1.58	1.63	1.57
Sales new autos (millions, A.R.)	11.21	11.68	12.18	12.03	11.33	10.15	9.04	9.20
Domestic models	9.59	9.90	10.26	10.17	9.66	8.51	7.49	7.95
Foreign models	1.61	1.78	1.92	1.85	1.67	1.64	1.55	1.25
<sup>1/</sup> Net exports of g. & s. (Bal. of Paymts.)	-4.8	-5.3	-.7	.5	6.6	11.22/	11.62/	-.72/
Exports	73.3	78.5	88.8	95.4	103.7	116.02/	132.62/	140.82/
Imports	78.1	83.8	89.5	94.9	97.1	104.8	121.0	141.5

<sup>2/</sup> Includes shipments of military equipment and supplies to Israel which are not included in GNP exports; amounts in billions of dollars at annual rates are 1973-IV, \$2.4; 1974-I, \$.3; 1974-II, \$.3.

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1972		1973			1974		
	III	IV	I.	II	III	IV	I	II
-----Billions of Dollars-----								
Gross National Product	26.3	35.4	44.2	29.0	31.0	35.1	14.8	25.0
Inventory change	2.2	.8	-1.0	.7	1.1	17.1	-12.0	-3.4
Final purchases	24.0	34.6	45.2	28.3	29.8	18.1	26.8	28.4
Private	22.7	27.1	38.8	24.0	26.2	8.6	16.9	20.3
Net exports	2.1	-.5	4.5	1.3	6.2	2.6	2.0	-12.8
Excluding net exports	20.6	27.6	34.3	22.7	20.0	6.0	14.9	33.1
Personal consumption expenditures	16.2	20.4	24.5	17.3	17.3	7.6	16.7	28.5
Durable goods	5.0	3.1	8.1	-.3	.3	-8.1	-.4	5.6
Non durable goods	4.6	8.9	12.4	9.4	11.1	8.3	12.3	11.4
Services	6.6	8.4	3.9	8.3	5.9	7.3	5.0	11.4
Residential fixed investment	1.6	2.2	1.8	.2	-.6	-4.5	-5.2	.4
Business fixed investment	2.8	5.0	8.0	5.1	3.4	2.9	3.3	4.2
Government	1.3	7.5	6.4	4.3	3.6	9.5	9.9	8.1
Federal	-3.2	2.5	1.2	-.2	-.9	3.1	3.1	2.8
State and local	4.5	5.0	5.2	4.5	4.5	6.3	6.9	5.3
GNP in constant (1958) dollars	11.5	16.1	18.6	4.6	3.4	4.9	-15.2	-3.4
Final purchases	9.7	15.6	20.2	4.1	3.1	-7.0	-5.8	-1.0
Private	11.7	14.4	19.1	4.3	3.3	-9.0	-6.1	+.8
-----In Per Cent Per Year----- <sup>1/</sup>								
Gross National Product	9.5	12.7	15.5	9.6	10.1	11.2	4.5	7.6
Final purchases	8.7	12.5	16.0	9.5	9.7	5.7	8.4	8.7
Private	10.7	12.5	17.7	10.3	11.0	3.4	6.7	8.0
Personal consumption expenditures	9.3	11.5	13.6	9.2	8.9	3.8	8.4	14.3
Durable goods	18.4	10.6	28.7	-.9	.9	-22.3	-1.3	19.3
Non durable goods	6.3	12.3	16.9	12.1	14.0	10.0	14.7	13.1
Services	8.9	11.2	4.9	10.6	7.3	8.9	5.9	13.6
Gross private domestic investment	15.9	19.0	19.8	12.8	7.8	33.1	-22.7	2.5
Residential structures	12.7	17.2	13.3	1.4	-4.0	-27.6	-33.5	3.3
Business fixed investment	10.1	18.1	28.8	16.6	10.4	8.6	9.6	12.1
Gov't. purchases of goods and services	2.1	12.3	10.1	6.5	5.4	14.4	14.6	11.4
Federal	-11.5	10.1	4.6	-.7	-3.3	12.3	11.9	10.4
Defense	-16.3	12.1	1.6	-5.2	-3.7	11.4	2.7	4.3
Other	1.3	5.4	12.3	10.6	-2.5	14.5	35.3	24.4
State and local	12.7	13.8	13.9	11.5	11.2	15.5	16.4	12.0
GNP in constant (1958) dollars	6.0	8.3	9.5	2.2	1.6	2.4	-7.0	-1.6
Final purchases	5.1	8.1	10.4	2.0	1.5	-3.3	-2.8	-.5
Private	7.6	9.2	12.0	2.5	1.9	-5.1	-3.5	-.5
GNP implicit deflator	3.3	4.1	5.5	7.3	8.3	8.6	12.3	9.4
Private GNP fixed weighted index <sup>2/</sup>	3.6	3.8	7.4	8.1	8.4	9.1	14.1	12.3
Personal income	8.6	15.4	12.1	10.5	11.6	12.2	4.9	8.2
Wage and salary disbursements	7.5	10.6	13.0	10.1	8.7	11.2	6.0	10.0
Disposable income	9.0	16.2	15.8	10.8	10.1	11.6	4.9	6.9
Corporate profits before tax	18.7	36.0	53.3	15.8	-6.9	.0	48.3	11.1
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	7.9	13.2	25.0	9.8	11.1	10.3	15.4	16.0
Expenditures	-8.7	44.6	-1.5	3.4	1.5	11.4	16.3	16.0
Nonfarm payroll employment	3.6	4.8	5.0	3.9	3.0	3.8	1.0	1.6
Manufacturing	3.3	7.3	6.3	4.4	2.1	3.7	-2.4	-.3
Industrial production	9.1	14.1	10.0	5.6	6.2	1.0	-6.5	1.9
Housing starts, private	15.4	4.7	1.0	-27.0	-32.0	-61.4	11.6	-14.4
Sales new autos	22.2	17.9	18.3	-5.0	-21.3	-35.5	-37.1	7.4
Domestic models	20.8	13.4	15.4	-3.5	-18.6	-39.8	-40.0	27.1
Foreign models	30.9	48.0	35.4	-12.9	-35.0	-5.9	-20.0	-57.8

<sup>1/</sup> Percentage rates are annual rates compounded quarterly.<sup>2/</sup> Using expenditures in 1967 as weights.

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**GROSS NATIONAL PRODUCT AND RELATED ITEMS**  
(Expenditures and income figures are billions of dollars)

	1969	1970	1971	1972	1973	1974	1975 Proj.
Gross National Product	930.3	977.1	1054.9	1158.0	1294.9	1397.3	1450.5
Final purchases	922.5	972.6	1048.6	1149.5	1279.6	1383.0	1461.3
Private	712.5	753.1	814.4	893.8	1003.2	1073.8	1121.1
Excluding net exports	710.6	749.5	814.6	899.8	999.3	1071.8	1123.0
Personal consumption expenditures	579.5	617.6	667.1	729.0	805.2	876.7	932.8
Durable goods	90.8	91.3	103.9	118.4	130.3	127.5	125.7
Nondurable goods	245.9	263.8	278.4	299.7	338.0	380.2	405.4
Services	242.7	262.6	284.8	310.9	336.9	369.0	401.8
Gross private domestic investment	139.0	136.3	153.7	179.3	209.4	209.4	179.3
Residential construction	32.6	31.2	42.8	54.0	57.2	46.0	42.4
Business fixed investment	98.5	100.6	104.6	116.8	136.8	149.2	147.7
Change in business inventories	7.8	4.5	6.3	8.5	15.4	14.2	-10.8
Nonfarm	7.7	4.3	4.9	7.8	11.4	11.9	-10.1
Net exports of goods and services 1/	1.9	3.6	- .2	-6.0	3.9	2.0	-1.9
Exports	55.5	62.9	65.4	72.4	100.4	139.9	132.4
Imports	53.6	59.3	65.6	78.4	96.4	138.0	134.3
Gov't. purchases of goods and services	210.0	219.5	234.2	255.7	276.4	309.2	340.3
Federal	98.8	96.2	97.6	104.9	106.6	116.9	128.8
Defense	78.4	74.6	71.2	74.8	74.4	78.7	85.9
Other	20.4	21.6	26.5	30.1	32.2	38.2	42.8
State & local	111.2	123.3	136.6	150.8	169.8	192.3	211.5
Gross national product in constant (1958) dollars	725.6	722.5	746.3	792.5	839.2	821.1	783.5
GNP implicit deflator (1958 = 100)	128.2	135.2	141.4	146.1	154.3	170.2	185.1
Personal income	750.9	808.3	864.0	944.9	1055.0	1150.5	1229.7
Wage and salary disbursements	509.7	542.0	573.0	626.8	691.7	751.2	778.9
Disposable income	634.4	691.7	746.4	802.5	903.7	979.7	1062.2
Personal saving	38.2	56.2	60.5	52.6	74.4	77.0	102.3
Saving rate (per cent)	6.0	8.1	8.1	6.6	8.2	7.9	9.6
Corporate profits & inventory val. adj.	79.8	69.2	78.7	92.2	105.1	105.9	90.1
Corporate profits before tax	84.9	74.0	83.6	99.2	122.7	141.4	111.0
Federal government receipts and expenditures, (N.I.A. basis)							
Receipts	197.3	192.0	198.5	227.2	258.5	291.4	276.7
Expenditures	189.2	203.9	220.3	244.7	264.2	299.1	351.0
Surplus or deficit (-)	8.1	-11.9	-21.9	-17.5	-5.6	-7.7	-74.3
High employment surplus or deficit (-)	8.8	3.7	-4.7	-6.7	- .7	18.9	-8.5
State and local government surplus or deficit (-), (N.I.A. basis)	.7	1.8	3.4	12.3	9.2	1.8	-4.5
Total labor force (millions)	84.2	85.9	86.9	89.0	91.0	93.2	94.3
Armed forces "	3.5	3.2	2.8	2.4	2.3	2.2	2.2
Civilian labor force "	80.7	82.7	84.1	86.5	88.7	91.0	92.1
Unemployment rate (per cent)	3.5	4.9	5.9	5.6	4.9	5.6	9.1
Nonfarm payroll employment (millions)	70.4	70.9	71.2	73.7	76.8	78.3	76.3
Manufacturing	20.2	19.3	18.6	19.1	20.1	20.0	17.7
Industrial production (1967 = 100)	110.7	106.7	106.8	115.2	125.6	124.3	121.4
Capacity utilization, mfg. (per cent)	86.5	78.3	75.0	78.6	83.0	78.9	67.3
Major materials (per cent)	90.0	86.2	85.3	89.6	93.0	87.0	69.2
Housing starts, private (millions, A.R.)	1.47	1.43	2.05	2.36	2.05	1.34	1.34
Sales new autos (millions, A.R.)	9.57	8.40	10.24	10.93	11.44	8.87	8.38
Domestic models	8.46	7.12	8.68	9.32	9.67	7.45	6.81
Foreign models	1.11	1.28	1.56	1.61	1.77	1.42	1.56
1/ Net exports of g. & s. (Bal. of Paymts.)	1.3	2.9	- .2	-6.0	4.4	2/ 2.5	2/ -2.2
Exports	55.0	62.3	65.4	72.4	101.0	2/ 143.0	2/ 138.8
Imports	53.6	59.4	65.6	78.4	96.6	140.5	141.0

2/ Includes shipments of military equipment and supplies to Israel which are not included in GNP exports; amounts in billions of dollars are: 1973, \$.6; 1974, \$.325; and 1975, \$.150.

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CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1969	1970	1971	1972	1973	1974	Proj. 1975
-----Billions of Dollars-----							
Gross National Product	66.1	46.8	77.8	103.1	136.9	102.4	53.2
Inventory change	.7	-3.3	1.8	2.2	6.9	-1.2	-25.0
Final purchases	65.4	50.1	76.0	100.9	130.1	103.4	78.3
Private	55.0	40.6	61.3	79.4	109.4	70.6	47.3
Net exports	-.6	1.7	-3.8	-5.8	9.9	-1.9	-3.9
Excluding net exports	55.6	38.9	65.1	85.2	99.5	72.5	51.2
Personal consumption expenditures	43.3	38.1	49.6	61.9	76.2	71.5	56.1
Durable goods	6.8	.5	12.6	14.5	11.9	-2.8	-1.8
Nondurable goods	15.1	17.9	14.6	21.3	38.3	42.2	25.2
Services	21.4	19.9	22.2	26.1	26.0	32.1	32.8
Residential fixed investment	2.5	-1.4	11.6	11.2	3.2	-11.2	-3.6
Business fixed investment	9.7	2.1	4.0	12.2	20.0	12.4	-1.5
Government	10.4	9.5	14.7	21.5	20.7	32.8	31.1
Federal	.0	-2.6	1.4	7.3	1.7	10.3	11.9
State and local	10.4	12.1	13.3	14.2	19.0	22.5	19.2
GNP in constant (1958) dollars	19.0	-3.1	23.8	46.2	46.7	-18.1	-37.6
Final purchases	18.7	-4	-22.5	-44.4	43.0	-15.9	-21.4
Private	20.6	6.2	18.5	46.1	45.2	-17.5	-23.6
-----Per Cent per Year <sup>1/</sup> -----							
Gross National Product	7.6	5.0	8.0	9.8	11.8	7.9	3.8
Final purchases	7.6	5.4	7.8	9.6	11.3	8.1	5.7
Private	8.4	5.7	8.1	9.7	12.2	7.0	4.4
Personal consumption expenditures	8.1	6.6	8.0	9.3	10.5	8.9	6.4
Durable goods	8.1	.6	13.8	14.0	10.1	-2.1	-1.4
Nondurable goods	6.5	7.3	5.5	7.7	12.8	12.5	6.6
Services	9.7	8.2	8.5	9.2	8.4	9.5	8.9
Gross private domestic investment	10.3	-1.9	12.8	16.7	16.8	.0	-14.4
Residential structures	8.3	-4.3	37.2	26.2	5.9	-19.6	-7.8
Business fixed investment	10.9	2.1	4.0	11.7	17.1	9.1	-1.0
Gov't purchases of goods & services	5.2	4.5	6.7	9.2	8.1	11.9	10.1
Federal	.0	-2.6	1.5	7.5	1.6	9.7	10.2
Defense	.1	-4.8	-4.6	5.1	-.5	5.8	9.1
Other	-.5	5.9	22.7	13.6	7.0	16.6	12.0
State and local	10.3	10.9	10.8	10.4	12.6	13.3	10.0
GNP in constant (1958) dollars	2.7	-.4	3.3	6.2	5.9	-2.2	-4.6
Final purchases	2.7	-.1	3.1	6.0	5.5	-1.9	-2.6
Private	3.7	1.1	3.9	6.7	6.5	-2.6	-3.5
GNP implicit deflator	4.8	5.5	4.6	3.4	5.6	10.3	8.8
Private GNP fixed weighted index <sup>2/</sup>	4.7	4.8	4.3	3.3	6.3	11.4	8.8
Personal income	9.0	7.6	6.9	9.4	11.7	9.1	6.9
Wage and salary disbursements	9.6	6.3	5.8	9.3	10.4	8.6	3.7
Disposable income	7.3	9.0	7.9	7.5	12.6	8.4	8.4
Corporate profits before tax	-3.1	-12.8	13.0	18.7	23.7	15.2	-21.5
Federal Government receipts and expenditures (N.I.A basis)							
Receipts	12.7	-2.7	3.4	14.5	13.8	12.7	-5.0
Expenditures	4.2	7.8	8.0	11.1	8.0	13.2	17.4
Nonfarm payroll employment	3.7	7	4	3.5	4.2	2.0	-2.6
Manufacturing	2.0	-4.1	-4.0	2.8	5.0	-.2	-11.6
Industrial production	4.7	-3.6	1	7.9	9.0	-1.0	-10.8
Housing starts, private	-2.7	-2.3	43.2	14.9	-13.2	-34.6	.1
Sales new autos	-.6	+12.3	21.9	6.7	4.7	-22.5	-5.5
Domestic models	-1.8	-15.9	21.9	7.4	3.7	-23.0	-8.6
Foreign models	9.0	15.5	21.8	3.3	9.8	-20.1	10.2

<sup>1/</sup> Percentage rates are annual rates compounded quarterly

<sup>2/</sup> Using expenditures in 1967 as weights

Table 1

FUNDS RAISED IN CREDIT MARKETS  
 Quarterly flows at seasonally adjusted annual rates  
 1974-75  
 (\$ billion)

	(Flow of Funds basis)			
	1974		1975 proj.	
	QIII (1)	QIV (2)	QI (3)	QII (4)
1. Nonfinancial business	78.9	61.1	35.0	32.5
2. Short-term 1/	50.2	22.0	- 8.0	- 3.5
3. Long-term 2/	28.7	39.1	43.0	36.0
4. Residential mortgages	35.3	34.0	20.0	24.0
5. Consumer credit	15.8	- 2.6	- 2.0	- 1.5
6. U. S. Govt. 3/	18.2	21.0	65.0	90.0
7. State and local	15.1	17.0	14.5	19.5
8. Other	11.3	15.8	5.5	1.5
9. Total funds raised- nonfinancial sectors	<u>174.7</u>	<u>146.4</u>	<u>137.5</u>	<u>165.0</u>
10. Sponsored agencies 4/	33.9	19.2	- 6.5	- 7.0
11. Credit & equity borrowing of private financial institutions 5/	23.9	- 7.1	- .5	- .5
12. Total funds raised in credit markets-all sectors 5/	<u>232.5</u>	<u>158.6</u>	<u>130.5</u>	<u>167.5</u>

1/ Business bank loans and open-market paper.

2/ Bonds, equities, and non-residential mortgages.

3/ Direct marketable and nonmarketable debt, savings bonds, and issues by  
on-budget and off-budget agencies.

4/ FNMA, FHLB, FICB, Banks for Coops, Land Banks, and GNMA guaranteed  
mortgage backed securities.

5/ Excludes FHLB advances to savings and loan associations.

NOTE: Totals may not add due to rounding.

Table 2

FUNDS ADVANCED IN CREDIT MARKETS  
 Quarterly flows at seasonally adjusted annual rates  
 1974-75  
 (\$ billions)

	(Flow of Funds basis)			
	1974		1975 proj.	
	QIII (1)	QIV (2)	QI (3)	QII (4)
1. Private financial institutions-				
Total <u>7/</u>	<u>104.6</u>	<u>92.2</u>	<u>104.5</u>	<u>136.5</u>
2. Domestic commercial banks and affiliates	39.7	20.6	28.5	54.5
3. Thrift institutions <u>1/</u> <u>7/</u>	<u>7.4</u>	<u>20.0</u>	<u>30.0</u>	<u>38.5</u>
4. Insurance and pension funds <u>2/</u>	40.8	46.3	44.5	44.5
5. All other <u>3/</u>	<u>16.7</u>	<u>5.3</u>	<u>0.5</u>	<u>0.5</u>
6. U. S. Govt.	<u>49.7</u>	<u>37.0</u>	<u>13.5</u>	<u>13.5</u>
7. Direct <u>4/</u>	5.0	13.8	14.0	14.0
8. Sponsored credit agencies <u>5/</u>	34.0	21.5	- 4.5	- 4.5
9. Federal Reserve	<u>10.7</u>	<u>1.7</u>	<u>4.0</u>	<u>4.0</u>
10. Households	54.6	8.0	5.5	- 3.0
11. All other <u>6/</u>	23.8	21.3	7.0	11.0
12. Total funds advanced in credit markets <u>7/</u>	<u>232.5</u>	<u>158.6</u>	<u>130.5</u>	<u>158.0</u>

1/ Savings and loan associations, mutual savings banks, and credit union.

2/ Life and other insurance companies, private and public pension funds.

3/ Finance companies, REITS, open-end investment companies, securities brokers and dealers, and foreign banking agencies in the United States.

4/ Lending by on-budget and off-budget agencies.

5/ FNMA, FHLB, FICB, Land Banks, Banks for Coops. Includes GNMA guaranteed mortgage backed securities.

6/ Businesses, state and local governments, and rest of world.

7/ Net of FHLB advances to savings and loan associations.

NOTE: Totals may not add due to rounding.

## Part 2

March 12, 1975

## CURRENT ECONOMIC AND FINANCIAL CONDITIONS

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Prepared for the Federal Open Market Committee  
By the staff of the Board of Governors of the Federal Reserve System

CONFIDENTIAL (FR)

March 12, 1975

**CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

**By the Staff  
Board of Governors  
of the Federal Reserve System**

Table 6

SURVEY RESULTS OF ANTICIPATED PLANT  
AND EQUIPMENT EXPENDITURES  
(Per cent change from prior year)

Survey date	1974	1975			
		McGraw-Hill Oct.	McGraw-Hill Feb.	Commerce Dec.	Commerce Feb.
All industry	12.7	11.8	5.8	4.6	3.3
Manufacturing	21.0	21.3	15.1	9.0	7.1
Durables	17.5	13.5	7.3	1.8	.0
Nondurables	24.7	29.1	22.7	16.0	14.1
Nonmanufacturing <sup>2/</sup>	7.6	5.2	- .6	1.6	.6
Railroads	29.5	29.0	21.0	27.7	13.6
Air & other transportation	1.2	3.7	-2.3	3.0	11.2
Electric utilities	10.6	.0	-4.0	1.2	-.7
Gas utilities	5.8	11.1	12.9	21.9 <sup>1/</sup>	4.1
Communications	8.6	4.0	-3.0	-1.8 <sup>1/</sup>	-2.8
Commercial & other	3.0	-1.0	-5.0	-4.3-	-3.5
Addenda:					
Materials producers	34.6	33.3	29.9	19.5	17.3
Other producers	9.5	9.4	-.1	-1.7	-3.5

1/ Confidential results.

2/ Contains industries not shown separately.

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

	F.R.B. Staff Estimates										
	Fiscal 1975 <sup>e/</sup>		Fiscal 1976 <sup>e/</sup>		Calendar Years		Calendar Quarters				
	Budget Document	F.R. Board	Budget Document	F.R. Board	1974 Actual	1975 F.R.B. <sup>e/</sup>	1974 IV*	1975 I	II	III	IV
<b>Federal Budget</b>											
Surplus/deficit	-34.7	-35.9	-51.9	-77.4	-10.9	-63.2	-12.0	-17.5	-4.8	-18.3	-22.6
Receipts	278.8	281.4	297.5	281.4	280.5	272.8	66.8	64.1	77.5	66.4	64.8
Outlays	313.4	317.3	349.4	358.8	291.4	336.0	78.9	81.6	82.3	84.7	87.4
Means of financing:							Unadjusted data				
Net borrowing from the public	43.5	43.9	63.5	87.2	11.8	77.1	10.3	19.1	10.0	22.2	25.8
Decrease in cash operating balance	3.1 <sup>2/</sup>	4.5	-.4 <sup>2/</sup>	-.3	4.5	.9	2.8	-.8	2.0	-.3	--
Other <sup>1/</sup>	-11.9 <sup>2/</sup>	-12.5	-11.2 <sup>2/</sup>	-9.5	-5.4	-14.8	-1.1	-.8	-7.2	-3.6	-3.2
Cash operating balance, end of period	6.0 <sup>2/</sup>	4.7	6.4 <sup>2/</sup>	5.0	5.9	5.0	5.9	6.7	4.7	5.0	5.0
Memo: Sponsored agency borrowing <sup>3/</sup>	14.0	11.3	7.8	n.e.	7.7	n.e.	3.4	.1	.1	n.e.	n.e.
<b>National Income Sector</b>											
Surplus/deficit	-36.1	-36.7 <sup>4/</sup>	-55.9	-80.5 <sup>4/</sup>	-7.7 <sup>2/</sup>	-74.3	-22.9 <sup>2/</sup>	-45.8	-71.9	-97.1	-82.4
Receipts	287.6	289.3 <sup>4/</sup>	305.1	289.9 <sup>4/</sup>	291.5 <sup>2/</sup>	276.7	296.4 <sup>2/</sup>	288.8	271.7	260.1	286.1
Expenditures	323.7	326.0	361.0	370.4	299.2	351.0	319.3	334.6	343.6	357.2	368.5
High Employment surplus/deficit (NIA basis) <sup>2/5/</sup>	n.a.	13.0	n.a.	-13.3	18.9	-8.5	17.2	12.4	-2.1	-27.7	-16.8

\* Actual                    e--Projected                    n.e.--Not Estimated                    n.a.--Not Available                    p--Preliminary

1/ Outlays of off-budget Federal agencies, checks issued less checks paid, accrued items, and other transactions.

2/ Estimated by F.R. Board Staff.

3/ Federally-sponsored credit agencies, i.e., Federal Home Loan Banks, Federal National Mortgage Assn., Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives.

4/ Quarterly average exceeds fiscal year total by \$.6 billion for fiscal 1975 and \$.9 billion for fiscal 1976 due to spreading of wage base.

5/ The high-employment budget estimates now fully incorporate taxes on inventory profits beginning in 1973.

**SECURITY OFFERINGS**  
 (Monthly or monthly averages, in millions of dollars)

	1974		1975			
	Year <sup>e</sup>	Q1 <sup>e</sup>	Jan. <sup>e</sup>	Feb. <sup>e</sup>	Mar. <sup>f</sup>	Apr. <sup>f</sup>
	<u>Gross offerings</u>					
<b>Corporate securities:</b>						
Total	3,154	3,943	5,255	4,560	6,175	4,975
Public bonds	2,122	2,913	3,657	3,175	4,350	3,650
Privately placed bonds	509	474	900	800	1,000	750
Stocks	523	556	698	585	825	575
Foreign securities <u>1/</u>	98	323	470	610	355	300
<b>State and local gov't securities</b>						
Long-term	1,894	1,958	2,064	2,300	2,200	2,000
Short-term	2,454	2,474	2,108	2,400	2,300	2,200
<u>Net offerings, total</u>						
U.S. Treasury <u>2/</u>	982 <u>3/</u>	3,433 <u>3/</u>	3,667 <u>3/</u>	4,100	11,300	2,900
Sponsored Federal agencies	1,394	1,115	567	-937	532	947

e/ Estimated.f/ Forecast.1/ Includes issues of foreign private and official institutions.2/ Includes Federal Financing Bank.3/ Actual.

CONFIDENTIAL (FR)  
CLASS II - FOMC

March 14, 1975

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

Corporate bond yields. During the week ending March 14 the Federal Reserve's new-issue yield index for corporate securities retreated more than 35 basis points to 9.27 per cent, and the recently offered series backed-up to 9.33 per cent, a rise of 16 basis points. Both of these series are now about 25 basis points above their levels just prior to the last FOMC meeting.

This sharp turnaround in corporate rates appears to reflect the considerable market congestion that has developed recently as a consequence of the record pace of new corporate offerings, together with the unexpected concentration of recent new Treasury issues in coupon securities. While new issue volume in the corporate market has been heavy for several months, the market had managed to place these issues with surprisingly little trouble. This condition began to change toward the end of February, when the Treasury announced that \$7 billion of new money would be raised by mid-April in longer-maturity coupon issues. Market participants had generally expected a sizable part of this borrowing to be placed in Treasury bills. Although the market impact of this change took a while to develop, a number of new corporate offerings began to meet resistance from investors. The number of issues being sold by syndicates was sizable, and investors were able to become highly selective--ultimately forcing syndicates on some issues to terminate before their awards were fully distributed. Upon release from syndicate yields on such issues rose in some instances by as much as 30 basis points.

CORRECTION:

Page I-17, line 12, 1975 proj., QII, should be 157.5, not 167.5.