

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

January 7, 1972

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

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

	1971 Proj.	1972 Proj.	1971		1972 Projected			
			III	IV	I	II	III	IV
Gross National Product	1051.3	1151.5	1060.8	1080.3	1110.2	1137.2	1165.2	1193.2
Final purchases	1047.9	1142.0	1059.7	1076.8	1104.4	1129.5	1154.5	1179.5
Private	814.7	887.5	825.5	836.5	856.1	877.2	897.9	918.9
Excluding net exports	814.2	886.2	825.0	839.0	856.6	876.4	895.9	915.8
Personal consumption expenditures	665.2	721.4	672.5	682.8	696.9	712.9	729.1	746.5
Durable goods	102.7	115.1	104.7	107.5	110.5	113.5	116.5	120.0
Nondurable goods	279.8	303.0	282.0	285.3	291.4	299.0	306.7	314.9
Services	282.8	303.2	285.7	290.0	295.0	300.4	305.9	311.6
Gross private domestic investment	152.4	174.3	153.6	159.7	165.5	171.2	177.5	183.0
Residential construction	41.0	46.8	43.3	44.7	46.2	47.5	47.3	46.0
Business fixed investment	108.0	118.1	109.3	111.5	113.5	116.0	119.5	123.3
Change in business inventories	3.4	9.5	1.1	3.5	5.8	7.7	10.7	13.7
Nonfarm	2.8	9.3	0.3	2.5	5.3	7.5	10.7	13.7
Net exports of goods and services	0.4	1.4	0.5	-2.5	-0.5	0.8	2.0	3.1
Exports	65.7	73.8	68.9	61.5	71.4	73.1	74.1	76.5
Imports	65.3	72.4	68.4	64.0	71.9	72.3	72.1	73.4
Gov't. purchases of goods & services	233.2	254.5	234.2	240.3	248.3	252.3	256.6	260.6
Federal	97.5	105.5	97.4	100.0	104.9	105.3	105.9	105.8
Defense	71.8	75.3	70.8	71.5	75.0	75.0	75.7	75.5
Other	25.7	30.2	26.6	28.5	29.9	30.3	30.2	30.3
State & local	135.8	149.0	136.8	140.3	143.4	147.0	150.7	154.8
Gross national product in constant (1958) dollars	742.5	786.7	745.5	756.2	767.2	779.8	793.2	806.7
GNP implicit deflator (1958 = 100)	141.6	146.3	142.3	142.9	144.7	145.8	146.9	147.9
Personal income ^{1/}	858.2	923.3	866.5	876.6	897.3	912.5	932.9	950.5
Wage and salary disbursements	575.2	622.7	579.0	587.0	605.0	616.1	628.2	641.6
Disposable income ^{1/}	742.1	801.8	750.0	755.4	778.7	794.0	809.8	824.6
Personal saving ^{1/}	58.1	60.8	58.5	53.6	62.5	61.6	61.0	58.2
Saving rate (per cent) ^{1/}	7.8	7.6	7.8	7.1	8.0	7.8	7.5	7.1
Corporate profits before tax ^{1/}	80.4	100.1	86.7	84.8	89.5	97.5	105.0	112.5
Corp. cash flow, net of div. (domestic) ^{1/}	79.7	93.8	81.0	82.2	85.9	91.3	96.5	101.5
Federal government receipts and expenditures (N.I.A. basis)								
Receipts ^{1/}	202.3	218.1	203.5	209.4	210.4	213.5	221.3	227.1
Expenditures	221.7	242.6	223.9	228.8	236.7	239.1	246.1	248.6
Surplus or deficit (-) ^{1/}	-19.4	-24.5	-20.4	-19.4	-26.3	-25.6	-24.8	-21.5
High employment surplus or deficit (-)	2.6	-3.9	2.5	6.9	-1.2	-2.7	-7.0	-4.8
Total labor force (millions)	87.0	88.6	87.0	87.8	88.1	88.3	88.8	89.3
Armed forces "	2.8	2.5	2.8	2.7	2.6	2.5	2.5	2.5
Civilian labor force "	84.2	86.1	84.2	85.1	85.5	85.8	86.3	86.8
Unemployment rate (per cent)	6.0	5.7	6.0	6.0	5.9	5.8	5.6	5.4
Nonfarm payroll employment (millions)	70.7	72.1	70.7	71.0	71.4	71.8	72.4	73.0
Manufacturing	18.6	19.0	18.5	18.6	18.7	18.9	19.0	19.2
Industrial production (1967 = 100)	106.3	112.0	105.9	107.0	109.1	111.4	114.1	116.8
Capacity utilization, manufacturing (per cent)	74.2	75.8	73.6	73.7	74.4	75.2	76.2	77.2
Housing starts, private (millions, A.R.)	2.03	2.10	2.16	2.20	2.18	2.15	2.10	2.00
Sales new autos (millions, A.R.)	10.09	10.71	10.27	10.46	10.40	10.65	10.80	11.00
Domestic models	8.68	9.28	8.74	9.18	9.00	9.25	9.35	9.50
Foreign models	1.50	1.44	1.53	1.28	1.40	1.40	1.45	1.50

NOTE: Projection of related items such as employment and industrial production index are based on projection of deflated GNP. Federal budget high employment surplus or deficit (N.I.A. basis) are staff estimates and projections by method suggested by Okun and Teeters.

^{1/} Incorporates provisions of Revenue Act of 1971 as passed by House.

^{2/} Incorporates effects of accelerating payment of estate and gift taxes.

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CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1971	1972	1971		1972			
	Proj.	Proj.	III	IV	Projected			
					I	II	III	IV
	-----Billions Of Dollars-----							
Gross National Product	77.2	100.2	17.7	19.5	29.9	27.0	28.0	28.0
Inventory change	0.6	6.1	-4.6	2.4	2.3	1.9	3.0	3.0
Final purchases	76.6	94.1	22.3	17.1	27.6	25.1	25.0	25.0
Private	62.8	72.8	18.3	11.0	19.6	21.1	20.7	21.0
Excluding net exports	65.9	72.0	17.3	14.0	17.6	19.8	19.5	19.9
Net exports	-3.2	1.0	1.0	-3.0	2.0	1.3	1.2	1.1
Government	13.8	21.3	4.0	6.1	8.0	4.0	4.3	4.0
GNP in constant (1958) dollars	22.5	44.2	7.1	10.7	10.9	12.6	13.4	13.5
Final purchases	21.8	39.4	10.6	9.0	9.3	11.0	11.0	11.0
Private	22.1	33.9	8.2	6.6	7.9	10.1	10.1	10.4
	-----In Per Cent Per Year-----							
Gross National Product	7.9	9.5	7.0	7.4	11.1	9.7	9.8	9.6
Final purchases	7.9	9.0	8.6	6.5	10.3	9.1	8.9	8.7
Private	8.4	8.9	9.1	5.3	9.4	9.9	9.4	9.4
Personal consumption expenditures	8.0	8.4	7.0	6.1	8.3	9.2	9.1	9.5
Durable goods	15.9	12.1	15.5	10.7	11.2	10.9	10.6	12.0
Nondurable goods	5.7	8.3	3.1	4.7	8.6	10.4	10.3	10.7
Services	7.7	7.2	7.6	6.0	6.9	7.3	7.3	7.5
Gross private domestic investment	12.6	14.4	3.1	15.9	14.5	13.8	14.7	12.4
Residential construction	34.9	14.1	36.3	12.9	13.4	11.3	-1.7	-11.0
Business fixed investment	5.8	9.4	8.6	8.1	7.2	8.8	12.1	12.7
Gov't. purchases of goods & services	6.3	9.1	7.0	10.4	13.3	6.4	6.8	6.2
Federal	0.3	8.2	7.1	10.7	19.6	1.5	2.3	-0.4
Defense	4.8	4.9	-5.6	4.0	19.6	0.0	3.7	-1.1
Other	17.4	17.5	45.2	28.6	19.6	5.4	-1.3	1.3
State & local	11.1	9.7	6.8	10.2	8.8	10.0	10.1	10.9
GNP in constant (1958) dollars	3.1	6.0	3.9 ^{1/}	5.7	5.8	6.6	6.9	6.8
Final purchases	3.0	5.3	5.8	4.8	5.0	5.8	5.7	5.6
Private	3.8	5.6	5.5	4.4	5.2	6.5	6.4	6.5
GNP implicit deflator	4.7	3.4	3.3 ^{1/}	1.5 ^{3/}	5.2 ^{4/}	3.1	2.9	2.8
Private GNP fixed weight price index ^{2/}			4.1 ^{1/}	1.6	4.0	3.1	2.9	2.8
Personal income	6.8	7.6	5.5	4.7	9.4	6.8	8.9	7.5
Wage and salary disbursements	6.2	8.3	4.6	5.5	12.3	7.3	7.9	8.5
Disposable income	7.9	8.0	5.0	2.9	12.3	7.9	8.0	7.3
Corporate profits before tax	6.6	24.5	1.4	-8.8	22.2	35.8	30.8	28.6
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	5.6	7.8	8.6	11.6	1.9	5.9	14.6	10.5
Expenditures	8.1	9.4	5.4	8.8	13.8	4.1	11.7	4.1
Nonfarm payroll employment	0.1	2.0	-0.2	1.7	2.3	2.2	3.3	3.3
Manufacturing	-4.1	2.2	-2.4	2.2	2.2	4.3	2.1	4.2
Industrial production	-0.4	5.4	-3.5	4.2	7.8	8.6	9.4	9.4
Housing starts, private	42.0	3.4	36.5	7.4	-3.6	-5.5	-9.3	-19.0
Sales new autos	20.8	6.1	19.0	7.4	-2.3	9.6	5.6	7.4
Domestic models	21.9	6.9	22.7	20.1	-7.8	11.1	4.3	6.4
Foreign models	22.0	-4.0	-1.0	-65.4	37.5	0.0	14.3	13.8

^{1/} At compound rates.^{2/} Using expenditures in 1967 as weights.^{3/} Excluding the first \$1.2 billion, annual rate, of voluntary army pay increase, 1.1 per cent per year.^{4/} Excluding the remaining \$1.2 billion, annual rate, of voluntary army pay increase, 4.0 per cent per year.

LONG-TERM SECURITY OFFERINGS
(Monthly or monthly averages in millions of dollars)

	1971			1972	
	Annual Average	Nov. ^{e/}	Dec. ^{e/}	Jan. ^{e/}	Feb. ^{e/}
Corporate Securities - Total	3,718	3,550	3,375	3,700	3,200
Public bonds	2,063	1,950	1,225	2,000	1,700
Privately placed bonds	577	500	800	700	600
Stocks	1,079	1,100	1,350	1,000	900
State and local government bonds	2,058	2,265	2,021	1,800	1,600

^{e/} Estimated.

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

	<u>Fiscal Year</u>		<u>Calendar Years</u>	
	<u>1971*</u>	<u>1972 e/</u>	<u>1971pe/</u>	<u>1972e/</u>
<u>Federal Budget</u>				
Surplus/deficit	-23.0	-30.5	-24.8	-31.7
Receipts	188.4	199.5	194.0	207.1
Outlays	211.4	230.0	218.8	238.8
Means of financing:				
Net borrowing from the public	19.4	26.7	24.5	24.8
Decrease in cash operating balance	- .8	2.8	-3.2*	5.3
Other <u>1/</u>	4.4	1.0	3.6	1.6
Cash operating balance, end of period	8.8	6.0	11.3*	-6.0
<u>National Income Sector</u>				
Surplus/deficit	-18.5	-22.9	-19.5	-24.6
Receipts	194.2	209.2	202.3	218.1
Expenditures	212.7	232.1	221.7	242.6
High employment surplus/deficit (NIA basis) <u>2/</u>	.6	1.4	2.6	-3.9

* Actual e--estimated by F.R. Board staff- pe -- partially estimated.

1/ Includes such items as deposit fund accounts and clearing accounts.

2/ Estimated by F.R. Board Staff.