

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff  
Board of Governors  
of the Federal Reserve System

February 28, 1968

CONFIDENTIAL -- FR

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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)

|  | 1966  | 1967               | 1967  |       |       |                     | 1968  |       |
|--|-------|--------------------|-------|-------|-------|---------------------|-------|-------|
|  |       |                    | I     | II    | III   | IV                  | Proj. | II    |
| Gross National Product   | 743.3 | 785.0              | 766.3 | 775.1 | 791.2 | 807.3               | 826.2 | 844.7 |
| Final sales  | 729.9 | 779.8              | 759.2 | 774.6 | 787.4 | 798.1               | 815.7 | 834.2 |
| Private purchases  | 575.6 | 603.5              | 588.8 | 599.6 | 609.2 | 616.4               | 630.0 | 644.7 |
| Personal consumption expenditures                              | 465.9 | 491.7              | 480.2 | 489.7 | 495.3 | 501.8               | 512.3 | 525.3 |
| Durable goods  | 70.3  | 72.1               | 69.4  | 72.5  | 72.7  | 73.8                | 76.5  | 79.3  |
| Nondurable goods   | 207.5 | 217.5              | 214.2 | 217.2 | 218.5 | 220.3               | 224.4 | 230.4 |
| Services   | 188.1 | 202.1              | 196.6 | 200.0 | 204.1 | 207.7               | 211.4 | 215.6 |
| Gross private domestic investment                              | 118.0 | 112.1              | 110.4 | 105.1 | 112.2 | 120.8               | 124.7 | 125.7 |
| Residential construction                                       | 24.4  | 24.4               | 21.4  | 23.1  | 25.6  | 27.6                | 27.7  | 27.7  |
| Business fixed investment                                      | 80.2  | 82.6               | 81.9  | 81.5  | 82.8  | 84.0                | 86.5  | 87.5  |
| Change in business inventories                                 | 13.4  | 5.2                | 7.1   | .5    | 3.8   | 9.2                 | 10.5  | 10.5  |
| Nonfarm  | 13.7  | 4.8                | 7.3   | .6    | 3.4   | 7.7                 | 10.0  | 10.5  |
| Net Exports  | 5.1   | 4.8                | 5.3   | 5.3   | 5.4   | 3.0                 | 3.5   | 4.2   |
| Gov't purchases of goods & services                            | 154.3 | 176.3              | 170.4 | 175.0 | 178.2 | 181.7               | 185.7 | 189.5 |
| Federal  | 77.0  | 89.9               | 87.1  | 89.5  | 90.9  | 92.2                | 94.0  | 95.8  |
| Defense  | 60.5  | 72.5               | 70.2  | 72.5  | 73.3  | 74.2                | 75.2  | 76.2  |
| Other  | 16.5  | 17.4               | 16.8  | 17.0  | 17.6  | 18.0                | 18.8  | 19.6  |
| State and local  | 77.2  | 86.4               | 83.3  | 85.4  | 87.4  | 89.5                | 91.7  | 93.7  |
| Gross National Product in constant<br>(1958) dollars           | 652.6 | 669.3              | 660.7 | 664.7 | 672.0 | 679.6               | 689.5 | 698.9 |
| GNP Implicit deflator (1958=100)                               | 113.9 | 117.3              | 116.0 | 116.6 | 117.7 | 118.8               | 119.8 | 120.9 |
| Personal income  | 584.0 | 626.4              | 612.9 | 619.1 | 631.0 | 642.5               | 656.5 | 672.5 |
| Wages and salaries   | 394.6 | 423.8              | 414.7 | 418.3 | 426.2 | 435.9               | 446.1 | 456.0 |
| Disposable income  | 508.8 | 544.7              | 532.7 | 540.0 | 548.2 | 557.9               | 569.4 | 583.0 |
| Personal saving  | 29.8  | 38.7               | 38.8  | 36.0  | 38.5  | 41.6                | 42.3  | 42.6  |
| Saving rate (per cent)   | 5.9   | 7.1                | 7.3   | 6.7   | 7.0   | 7.5                 | 7.4   | 7.3   |
| Corporate profits before tax                                   | 83.8  | 80.5 <sup>1/</sup> | 79.0  | 78.9  | 80.0  | 84.0 <sup>1/</sup>  | 86.0  | 89.0  |
| Federal government receipts and<br>expenditures (N.I.A. basis) |       |                    |       |       |       |                     |       |       |
| Receipts   | 143.2 | 151.7              | 149.1 | 148.1 | 152.7 | 157.0 <sup>2/</sup> | 163.0 | 166.9 |
| Expenditures   | 142.9 | 164.1              | 160.9 | 162.8 | 165.9 | 167.9 <sub>2/</sub> | 172.4 | 179.4 |
| Surplus or deficit (-)   | .3    | -12.4              | -11.9 | -14.7 | -13.2 | -10.9 <sub>2/</sub> | -9.4  | -12.5 |
| Total labor force (millions)                                   | 78.9  | 80.8               | 80.3  | 80.3  | 81.1  | 81.6                | 82.0  | 82.4  |
| Armed forces "   | 3.1   | 3.4                | 3.4   | 3.5   | 3.5   | 3.5                 | 3.5   | 3.5   |
| Civilian labor force "   | 75.8  | 77.3               | 76.8  | 76.8  | 77.6  | 78.2                | 78.5  | 78.9  |
| Unemployment rate (per cent)                                   | 3.8   | 3.8                | 3.7   | 3.8   | 3.9   | 3.8                 | 3.6   | 3.6   |
| Nonfarm payroll employment (millions)                          | 64.0  | 66.1               | 65.7  | 65.7  | 66.1  | 66.8                | 67.4  | 67.9  |
| Manufacturing  | 19.2  | 19.3               | 19.5  | 19.3  | 19.2  | 19.4                | 19.6  | 19.7  |
| Industrial production (1957-59=100)                            | 156.3 | 157.8              | 157.1 | 155.9 | 157.2 | 159.4               | 162.5 | 165.5 |
| Capacity utilization, manufacturing<br>(per cent)              | 90.5  | 85.1               | 87.1  | 84.9  | 84.0  | 84.3                | 85.0  | 85.5  |
| Housing starts, private (millions A. R.)                       | 1.17  | 1.29               | 1.12  | 1.21  | 1.40  | 1.44                | 1.45  | 1.40  |
| Sales new U.S.-made autos (millions,<br>A. R.) 3/              | 8.38  | 7.57               | 7.16  | 8.11  | 7.57  | 7.44                | 8.00  | 8.50  |

<sup>1/</sup> F.R.B. estimate based in part on published reports and is larger than rate implied by Commerce estimate for 1967.

<sup>2/</sup> Reflects corporate profits estimate shown above.

<sup>3/</sup> Quarterly figures incorporate revised seasonal factors.

CONFIDENTIAL -- FR

February 28, 1968

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

|   | 1966  | 1967 | 1967  |       |       |                    | 1968 |       |
|---|-------|------|-------|-------|-------|--------------------|------|-------|
|   |       |      | I     | II    | III   | IV                 | I    | II    |
| -----In Billions of Dollars-----                            |       |      |       |       |       |                    |      |       |
| Gross National Product                                      | 59.4  | 41.7 | 4.2   | 8.8   | 16.1  | 16.1               | 8.9  | 18.5  |
| Final sales   | 55.4  | 49.9 | 15.6  | 15.4  | 12.8  | 10.7               | 17.6 | 18.5  |
| Private purchases   | 37.5  | 27.9 | 6.9   | 10.8  | 9.6   | 7.2                | 13.6 | 14.7  |
| GNP in constant (1958) dollars                              | 35.9  | 16.7 | -.4   | 4.0   | 7.3   | 7.6                | 9.9  | 9.4   |
| Final sales   | 32.1  | 24.6 | 10.1  | 10.3  | 4.2   | 2.5                | 8.6  | 9.5   |
| Private purchases   | 21.9  | 10.4 | 3.7   | 7.1   | 3.0   | 1.7                | 6.7  | 8.0   |
| ----In Per Cent; Quarterly Changes are at Annual Rates----  |       |      |       |       |       |                    |      |       |
| Gross National Product                                      | 8.7   | 5.6  | 2.2   | 4.6   | 8.3   | 8.1                | 9.4  | 9.0   |
| Final sales   | 8.2   | 6.8  | 8.4   | 8.1   | 6.6   | 5.4                | 8.8  | 9.1   |
| Private purchases   | 7.0   | 4.8  | 4.7   | 7.3   | 6.4   | 4.7                | 8.8  | 9.3   |
| Personal consumption expenditures                           | 7.6   | 5.5  | 5.4   | 7.9   | 4.6   | 5.2                | 8.4  | 10.1  |
| Durable goods   | 6.5   | 2.6  | -6.8  | 17.9  | 1.1   | 6.1                | 14.6 | 14.6  |
| Nondurable goods  | 8.5   | 4.8  | 7.4   | 5.6   | 2.4   | 3.3                | 7.4  | 10.7  |
| Services  | 6.9   | 7.4  | 7.7   | 6.9   | 8.2   | 7.1                | 7.1  | 7.9   |
| Gross private domestic investment                           | 9.9   | -5.0 | -38.6 | -19.2 | 27.0  | 30.7               | 12.9 | 3.2   |
| Residential construction                                    | -9.6  | 0.0  | 9.6   | 31.8  | 43.3  | 31.2               | 1.4  | 0.0   |
| Business fixed investment                                   | 12.8  | 3.0  | -4.3  | -2.0  | 6.4   | 5.8                | 11.9 | 4.6   |
| Gov't purchases of goods & services                         | 13.1  | 14.3 | 21.5  | 10.8  | 7.3   | 7.9                | 8.8  | 8.2   |
| Federal   | 15.3  | 16.8 | 27.5  | 11.0  | 6.3   | 5.7                | 7.8  | 7.7   |
| Defense   | 20.8  | 19.8 | 28.0  | 13.1  | 4.4   | 4.9                | 5.4  | 5.3   |
| Other   | -1.2  | 5.5  | 22.6  | 4.8   | 14.1  | 9.1                | 17.8 | 17.0  |
| State & local   | 10.9  | 11.9 | 15.5  | 10.1  | 9.4   | 9.6                | 9.8  | 8.7   |
| GNP in constant (1958) dollars                              | 5.8   | 2.6  | -.2   | 2.4   | 4.4   | 4.5                | 5.8  | 5.5   |
| Final sales   | 5.3   | 3.8  | 6.3   | 6.3   | 2.5   | 1.5                | 5.1  | 5.6   |
| Private purchases   | 4.4   | 2.0  | 2.9   | 5.5   | 2.3   | 1.3                | 5.1  | 6.0   |
| GNP Implicit deflator                                       | 2.7   | 3.0  | 2.4   | 2.1   | 3.9   | 3.6                | 3.5  | 3.5   |
| Personal income   | 8.6   | 7.3  | 7.5   | 4.0   | 7.7   | 7.3                | 8.7  | 9.7   |
| Wages and salaries  | 9.9   | 7.4  | 7.2   | 3.5   | 7.6   | 9.1                | 9.4  | 8.9   |
| Disposable income   | 7.8   | 7.1  | 8.2   | 5.5   | 6.1   | 7.1                | 8.2  | 9.6   |
| Corporate profits before tax                                | 9.5   | -3.9 | -23.4 | -0.5  | 5.6   | 20.0 <sup>1/</sup> | 9.5  | 14.0  |
| Federal government receipts and expenditures (N.I.A. basis) |       |      |       |       |       |                    |      |       |
| Receipts  | 14.7  | 5.9  | 1.3   | -2.7  | 12.4  | 11.3 <sup>2/</sup> | 15.3 | 9.6   |
| Expenditures  | 15.8  | 14.8 | 23.7  | 4.7   | 7.6   | 4.8                | 10.7 | 16.2  |
| Nonfarm payroll employment                                  | 5.3   | 3.3  | 4.3   | 0.0   | 2.4   | 4.2                | 3.6  | 3.0   |
| Manufacturing   | 6.1   | 0.5  | 0.0   | -4.1  | -2.1  | 4.2                | 4.1  | 2.0   |
| Industrial production                                       | 9.0   | 1.0  | -5.5  | -3.1  | 3.3   | 5.6                | 7.8  | 7.4   |
| Housing starts, private                                     | -20.4 | 10.3 | 87.0  | 32.1  | 62.8  | 11.4               | 2.8  | -13.8 |
| Sales new U.S.-made autos <sup>3/</sup>                     | -4.4  | -9.7 | -50.3 | 53.1  | -26.6 | -6.9               | 30.1 | 25.0  |

<sup>1/</sup> Based on F.R.B. estimate reflecting, in part, published reports and which is larger than the rate implied by Commerce estimate for 1967.<sup>2/</sup> Based on F.R.B. estimate of corporate profits.<sup>3/</sup> Quarterly figures reflect revised figures.

Federal Budget. New staff projections of Federal fiscal operations show a seasonally unadjusted cash deficit of \$3.6 billion in the first half of calendar 1968. This measure of the deficit includes privately owned government-sponsored corporations in the Federal sector, and treats sales of participation certificates as financing.

The new estimate contrasts sharply with the large fiscal surpluses usually realized in the January-June period and also contrasts with the exact half-year balance between receipts and outlays implied by the January Budget Document when measured on the same basis.

**FEDERAL DEFICIT OR SURPLUS AND CASH BORROWING FROM PUBLIC<sup>1/</sup>**  
 (In billions of dollars)

| Half year periods | Not seasonally adjusted |                                 | Borrowing <sup>2/</sup> |                     |
|-------------------|-------------------------|---------------------------------|-------------------------|---------------------|
|                   | Deficit (-) or surplus  | Change in Treasury Cash Balance | Not seasonally adjusted | Seasonally adjusted |
| 1965 - I          | 7.6                     | 5.1                             | - 2.5                   | 2.6                 |
| II                | -12.8                   | -6.6                            | 6.1                     | .9                  |
| 1966 - I          | 6.6                     | 6.5                             | - .6                    | 4.4                 |
| II                | -12.9                   | -6.6                            | 7.0                     | 2.3                 |
| 1967 - I          | 9.9                     | 2.0                             | - 8.3                   | - 3.2               |
| II                | -21.4                   | -.8                             | 20.4                    | 16.0                |
| 1968 - I p        | - 3.6                   | -1.6                            | 1.7                     | 6.7                 |

p - Projected

1/ Equals old cash deficit or surplus plus allowance for participation certificates. Also equals new cash deficit plus allowance for privately-owned government sponsored corporations.

2/ Differs from old cash borrowing by inclusion of participation certificate borrowing, plus accrued interest on Treasury bills and savings bonds. Agrees with flow-of-funds concept of Federal obligations.

CONFIDENTIAL (FR)

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

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were 0.3 per cent below the December average, but substantially less than expected seasonally. Used cars were up 0.8 per cent, substantially more than expected seasonally.

Prices of consumer services, less rent, increased 0.6 per cent and accounted for about one-half of the increase in the total price index. Medical care services rose 0.7 per cent further as professional fees and hospital service charges increased sharply. Transportation services were up substantially, 0.8 per cent, reflecting higher prices for auto repairs, auto insurance, and registrations and drivers permits. The recent increases in postal rates on first and third class mail accounted for a substantial part of the rise in total service costs.

Corrections:

Page II - 7 Table. Next to last column, first line, the increase in GNP from QIV 1967 to QI 1968 should be \$18.9 billion.

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