

# Part 1

July 9, 1975

## 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)**

**July 9, 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)		Gross private product fixed weighted price index				Unemployment rate (per cent)	
			Real GNP					
			6/11/75	7/9/75	6/11/75	7/9/75	6/11/75	7/9/75
1972 <u>1/</u>	103.1	103.1	6.2	6.2	3.3	3.3	5.6	5.6
1973 <u>1/</u>	136.9	136.9	5.9	5.9	6.3	6.3	4.9	4.9
1974 <u>1/</u>	102.5	102.5	-2.1	-2.1	11.4	11.4	5.6	5.6
1975	71.4	70.5	-4.0	-3.9	9.3	9.3	8.9	8.4
1976	163.5	167.5	5.2	5.4	5.4	5.4	8.7	8.5
1974-I <u>1/</u>	14.8	14.8	-7.0	-7.0	14.1	14.1	5.2	5.2
II <u>1/</u>	25.0	25.0	-1.6	-1.6	12.3	12.3	5.1	5.1
III <u>1/</u>	32.5	32.5	-1.9	-1.9	13.8	13.8	5.5	5.5
IV <u>1/</u>	14.6	14.6	-9.0	-9.0	12.6	12.6	6.6	6.6
1975-I <u>1/</u>	-13.8	-14.3	-11.3	-11.4	7.7	7.7	8.3	8.3
II	25.9	22.4	.3	.0	7.0	6.3	9.2	8.9
III	42.0	46.0	5.4	6.1	6.3	6.8	9.2	9.0
IV	45.0	46.0	5.7	6.0	5.6	5.5	9.0	8.8
1976-I	41.5	42.0	5.6	5.8	5.3	5.2	8.9	8.7
II	40.0	41.5	5.4	5.8	4.9	4.9	8.8	8.5
III	40.0	40.5	5.4	5.5	4.7	4.7	8.6	8.3
IV	43.0	44.0	5.3	5.5	4.6	4.6	8.5	8.2
Change:								
74-II to 75-II	59.2	55.2	-5.6	-5.7	10.2	10.1	4.1	3.8
74-IV to 75-IV	99.1	100.1	- .3	- .1	6.6	6.6	2.4	2.2
75-II to 76-II	168.5	175.5	5.5	5.9	5.5	5.6	- .4	- .4
75-IV to 76-IV	164.5	168.0	5.4	5.6	4.9	4.9	- .5	- .6

1/ Actual.

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.)

	1975				1976			
	I	II	III	IV	Projected I	II	III	IV
Gross National Product	1416.6	1439.0	1485.0	1531.0	1573.0	1614.5	1655.0	1699.0
Final purchases	1435.8	1458.0	1495.3	1533.0	1567.0	1604.0	1642.5	1684.5
Private	1104.2	1120.1	1150.4	1176.9	1203.0	1232.4	1263.3	1294.0
Excluding net exports	1095.4	1112.8	1147.3	1178.5	1207.3	1238.8	1269.7	1300.7
Personal consumption expenditures	913.2	934.3	964.1	988.9	1010.5	1033.1	1056.3	1079.9
Durable goods	124.9	127.8	132.3	136.6	140.6	144.3	148.3	152.3
Nondurable goods	398.8	408.0	422.3	431.6	438.0	445.7	453.7	462.1
Services	389.5	398.5	409.5	420.7	431.9	443.1	454.3	465.5
Gross private domestic investment	163.1	159.5	172.9	187.6	202.8	216.2	225.9	235.3
Residential construction	35.3	34.7	39.2	43.6	47.6	52.5	55.7	57.1
Business fixed investment	146.9	143.8	144.0	146.0	149.2	153.2	157.7	163.7
Change in business inventories	-19.2	-19.0	-10.3	-2.0	6.0	10.5	12.5	14.5
Nonfarm	-17.8	-18.0	-10.0	-3.0	6.0	10.5	12.5	14.5
Net exports of goods and services <sup>1/</sup>	8.8	7.3	3.1	-1.6	-4.3	-6.4	-6.4	-6.7
Exports	142.2	132.1	134.0	138.1	143.1	147.9	153.3	158.5
Imports	133.4	124.8	130.9	139.7	147.4	154.3	159.7	165.2
Gov't. purchases of goods and services	331.6	337.9	344.9	356.1	364.0	371.6	379.2	390.5
Federal	126.5	128.4	130.1	135.3	137.2	138.6	140.3	146.1
Defense	84.7	85.6	86.1	90.3	91.2	92.2	93.1	97.1
Other	41.8	42.8	44.0	45.0	46.0	46.4	47.2	49.0
State and local	205.1	209.5	214.8	220.8	226.8	233.0	238.9	244.4
Gross national product in constant (1958) dollars	780.0	780.1	791.8	803.4	814.8	826.4	837.4	848.7
GNP implicit deflator (1958=100)	181.6	184.5	187.6	190.6	193.0	195.4	197.6	200.2
Personal income	1193.4	1220.3	1247.9	1280.7	1309.0	1341.2	1373.1	1406.1
Wage and salary disbursements	765.1	773.7	792.2	814.5	835.0	856.0	876.0	899.3
Disposable income	1015.5	1079.3	1073.1	1098.0	1118.4	1145.0	1169.9	1196.8
Personal saving	75.9	119.1	82.8	82.6	80.9	84.6	85.8	88.7
Saving rate (per cent)	7.5	11.0	7.7	7.5	7.2	7.4	7.3	7.4
Corporate profits & inventory val. adj.	94.3	98.4	110.2	119.6	126.1	133.3	140.3	147.8
Corporate profits before tax	101.2	103.0	118.0	128.5	134.0	140.0	146.0	153.0
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts <sup>2/</sup>	284.1	248.0	291.0	303.2	317.8	326.8	336.9	346.8
Expenditures	338.5	355.4	361.7	372.4	379.4	387.5	395.4	407.0
Surplus or deficit (-) <sup>2/</sup>	-54.4	-107.4	-70.7	-69.2	-61.6	-60.7	-58.5	-60.2
High employment surplus or deficit (-)	9.6	-37.0	-8.5	-10.1	-5.4	-5.7	-4.2	-7.0
State and local government surplus or deficit (-) (N I.A. basis)	-1.6	-2.5	-2.1	-1.1	-1.0	-1.9	-3.2	-2.5
Total labor force (millions)	94.0	94.7	95.2	95.4	95.8	96.2	96.5	96.9
Armed forces "	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Civilian labor force "	91.8	92.5	92.9	93.1	93.4	93.8	94.2	94.6
Unemployment rate (per cent)	8.3	8.9	9.0	8.8	8.7	8.5	8.3	8.2
Nonfarm payroll employment (millions)	76.8	76.4	76.8	77.2	77.6	78.1	78.6	79.1
Manufacturing	18.4	18.1	18.2	18.3	18.5	18.7	19.0	19.2
Industrial production (1967 = 100)	111.6	109.4	112.1	115.3	118.7	121.5	124.2	126.9
Capacity utilization, mfg. (per cent)	68.2	66.3	67.4	68.8	70.3	71.4	72.4	73.4
Major materials (per cent)	70.2	70.3	72.9	75.6	77.9	79.7	81.0	82.3
Housing starts, private (millions, A.R.)	.99	1.10	1.33	1.50	1.60	1.65	1.70	1.70
Sales new autos (millions, A.R.)	8.31	7.90	8.60	9.10	9.65	9.69	9.98	10.50
Domestic models	6.60	6.33	7.00	7.50	8.00	8.00	8.25	8.75
Foreign models	1.71	1.57	1.60	1.60	1.65	1.69	1.73	1.75
<sup>1/</sup> Net exports of g. & s. (Bal. of paymts)	13.42/	11.82/	7.63/	2.93/	.2	-1.9	-1.9	-2.2
Exports	148.63/	138.53/	140.43/	144.53/	149.5	154.3	159.7	164.9
Imports	135.3	126.7	132.8	141.6	149.3	156.2	161.6	167.1

<sup>2/</sup> Federal government N.I.A. receipts in 1975-II reflect the \$8.1 billion rebate of 1974 individual income taxes and in 1975-III and following quarters the \$9.3 billion reduction in 1975 individual income taxes; this latter reduction, enacted only for 1975, is assumed to be continued in 1976.

<sup>3/</sup> Includes \$.3 billion, annual rate of shipments of military equipment and supplies to Israel which are not included in GNP exports.

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	I	1975			Projected		1976	
		II	III	IV	I	II	III	IV
Gross National Product	-14.3	22.4	46.0	46.0	42.0	41.5	40.5	44.0
Inventory changes	-37.0	.2	8.7	8.3	8.0	4.5	2.0	2.0
Final purchases	22.7	22.2	37.3	37.7	34.0	37.0	38.5	42.0
Private	14.9	15.9	30.3	26.5	26.1	29.4	30.9	30.7
Net exports	6.9	-1.5	-4.2	4.7	-2.7	-2.1	.0	-.3
Excluding net exports	8.0	17.4	34.5	31.2	28.8	31.5	30.9	31.0
Personal consumption expenditures	17.4	21.1	29.8	24.8	21.6	22.6	23.2	23.6
Durable goods	4.2	2.9	4.5	4.3	4.0	3.7	4.0	4.0
Nondurable goods	7.1	9.2	14.3	9.3	6.4	7.7	8.0	8.4
Services	6.0	9.0	11.0	11.2	11.2	11.2	11.2	11.2
Residential fixed investment	-5.1	-.6	4.5	4.4	4.0	4.9	3.2	1.4
Business fixed investment	-4.3	-3.1	.2	2.0	3.2	4.0	4.5	6.0
Government	7.8	6.3	7.0	11.2	7.9	7.6	7.6	11.3
Federal	2.0	1.9	1.7	5.2	1.9	1.4	1.7	5.8
State and local	5.8	4.4	5.3	6.0	6.2	6.0	5.9	5.5
GNP in constant (1958) dollars	-24.0	.1	11.7	11.6	11.4	11.6	11.0	11.3
Final purchases	-1.3	.2	8.1	5.2	5.1	8.6	10.3	9.6
Private	-2.7	-1.0	7.3	7.4	7.0	8.3	9.9	9.4
-----In Per Cent Per Year----- <sup>1/</sup>								
Gross National Product	-3.9	6.5	13.4	13.0	11.4	11.0	10.4	11.1
Final purchases	6.6	6.3	10.6	10.5	9.2	9.8	10.0	10.6
Private	5.6	5.9	11.3	9.5	9.2	10.1	10.4	10.1
Personal consumption expenditures	8.0	9.6	13.4	10.7	9.0	9.3	9.3	9.2
Durable goods	14.7	9.6	14.8	13.6	12.2	10.9	11.6	11.2
Nondurable goods	7.5	9.6	14.8	9.1	6.1	7.2	7.4	7.6
Services	6.4	9.6	11.5	11.4	11.1	10.8	10.5	10.2
Gross private domestic investment	-63.2	-8.5	38.1	38.6	36.6	29.2	19.2	17.7
Residential structures	-41.7	-6.6	62.9	53.0	42.1	48.0	26.7	10.4
Business fixed investment	-10.9	-8.2	.6	5.7	9.1	11.2	12.3	16.1
Gov't purchases of goods & services	10.0	7.8	8.5	13.6	9.2	8.6	8.4	12.5
Federal	6.6	6.1	5.4	17.0	5.7	4.1	5.0	17.6
Defense	3.4	4.3	2.4	21.0	4.0	4.5	4.0	18.3
Other	12.4	9.9	11.7	9.4	9.2	3.5	7.1	16.1
State and local	12.2	8.9	10.5	11.7	11.3	11.4	10.5	9.5
GNP in constant (1958) dollars	-11.4	.0	6.1	6.0	5.8	5.8	5.5	5.5
Final purchases	-.7	.1	4.2	2.7	2.5	4.3	5.1	4.8
Private	-1.7	-.6	4.6	4.6 <sup>2/</sup>	4.4 <sup>2/</sup>	5.1	6.0	5.6 <sup>2/</sup>
GNP implicit deflator	8.4 <sup>2/</sup>	6.4	6.9	6.6 <sup>2/</sup>	5.3 <sup>2/</sup>	4.9	4.7	5.3 <sup>2/</sup>
Private GNP fixed weighted index <sup>3/</sup>	7.7	6.3	6.8	5.5	5.2	4.9	4.7	4.6
Personal income	2.2	9.3	9.4	10.9	9.1	10.2	9.9	10.0
Wage and salary disbursements	-2.1	4.6	9.9	11.7	10.5	10.4	9.7	11.1
Disposable income	2.7	27.6	-2.3	9.6	7.6	9.9	9.0	9.5
Corporate profits before tax	-64.9	7.3	72.3	40.6	18.3	19.1	18.3	20.6
Federal Government receipts and expenditures (N.I.A. basis)								
Receipts	-13.6	-41.9	89.6	17.9	20.7	11.8	12.9	12.3
Expenditures	26.3	21.5	7.3	12.4	7.7	8.8	8.4	12.3
Nonfarm payroll employment	-7.7	-1.8	2.0	2.1	2.1	2.6	2.6	2.6
Manufacturing	-22.3	-6.1	2.2	2.2	4.4	4.4	6.6	4.3
Industrial production	-28.4	-7.5	10.1	11.9	12.3	9.8	9.2	9.0
Housing starts, private	-2.4	52.4	113.7	61.8	29.4	13.1	12.7	.0
Sales new autos	60.9	-18.3	40.4	25.4	26.5	1.7	12.5	22.5
Domestic models	41.8	-15.4	49.5	31.8	29.5	.0	13.1	25.5
Foreign models	172.4	-28.9	7.9	.0	13.1	10.1	9.8	4.7

<sup>1/</sup> Percentage rates are annual rates compounded quarterly.<sup>2/</sup> Excluding Federal pay increases rates of change are: 1975-I, 8.3 per cent; 1975-IV, 5.5 per cent; 1976-I, 5.2 per cent; and 1976-IV, 4.6 per cent.<sup>3/</sup> Using expenditures in 1967 as weights.

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.)

	1973				1974			
	I	II	III	IV	I	II	III	IV
Gross National Product	1248.9	1277.9	1308.9	1344.0	1358.8	1383.8	1416.3	1430.9
Final purchases	1238.9	1267.2	1297.0	1315.1	1341.9	1370.3	1407.6	1413.1
Private	969.9	993.9	1020.1	1028.7	1045.6	1065.9	1095.3	1089.3
Excluding net exports	970.7	993.4	1013.4	1019.4	1034.3	1067.4	1098.4	1087.4
Personal consumption expenditures	781.7	799.0	816.3	823.9	840.6	869.1	901.3	895.8
Durable goods	132.4	132.1	132.4	124.3	123.9	129.5	136.1	120.7
Nondurable goods	323.3	332.7	343.8	352.1	364.4	375.8	389.0	391.7
Services	325.9	334.2	340.1	347.4	352.4	363.8	376.2	383.5
Gross private domestic investment	199.0	205.1	209.0	224.5	210.5	211.8	205.8	209.4
Residential construction	58.5	58.7	58.1	53.6	48.4	48.8	46.2	40.4
Business fixed investment	130.5	135.6	139.0	141.9	145.2	149.4	150.9	151.2
Change in business inventories	10.0	10.7	11.8	28.9	16.9	13.5	8.7	17.8
Nonfarm	6.5	7.7	7.4	24.0	13.1	10.4	6.6	17.5
Net exports of goods and services <sup>1/</sup>	-.8	.5	6.7	9.3	11.3	-1.5	-3.1	1.9
Exports	88.8	95.4	103.7	113.6	131.2	138.5	143.6	147.5
Imports	89.5	94.9	96.9	104.3	119.9	140.0	146.7	145.7
Gov't. purchases of goods and services	269.0	273.3	276.9	286.4	296.3	304.4	312.3	323.8
Federal	106.4	106.2	105.3	108.4	111.5	114.3	117.2	124.5
Defense	75.0	74.0	73.3	75.3	75.8	76.6	78.4	84.0
Other	31.4	32.2	32.0	33.1	35.7	37.7	38.8	40.6
State & local	162.6	167.1	171.6	177.9	184.8	190.1	195.1	199.3
Gross national product in constant (1958) dollars	832.8	837.4	840.8	845.7	830.5	827.1	823.1	804.0
GNP implicit deflator (1958 = 100)	150.0	152.6	155.7	158.9	163.6	167.3	172.1	178.0
Personal income	1013.6	1039.2	1068.0	1099.3	1112.5	1134.6	1168.2	1186.9
Wage and salary disbursements	667.6	683.8	698.2	717.0	727.6	745.2	763.0	769.2
Disposable income	869.5	892.1	913.9	939.4	950.6	966.5	993.1	1008.8
Personal saving	65.3	69.6	73.2	89.3	84.4	71.5	65.5	86.5
Saving rate (per cent)	7.5	7.8	8.0	9.5	8.9	7.4	6.6	8.6
Corporate profits & inventory val. adj.	103.9	105.0	105.2	106.4	107.7	105.6	105.8	103.4
Corporate profits before tax	120.4	124.9	122.7	122.7	135.4	139.0	157.0	131.5
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	249.1	255.0	261.8	268.3	278.1	288.6	302.8	294.7
Expenditures	260.2	262.4	263.4	270.6	281.0	291.6	304.7	319.3
Surplus or deficit (-)	-11.2	-7.4	-1.7	-2.3	-2.8	-3.0	-1.9	-24.5
High employment surplus or deficit (-)	-8.5	-3.4	4.6	4.8	14.0	19.6	24.7	17.8
State and local government surplus or deficit (-), (N.I.A. basis)	13.2	10.4	8.4	4.6	3.2	2.0	2.1	-.1
Total labor force (millions)	90.0	90.8	91.3	92.1	92.7	92.9	93.6	94.0
Armed forces "	2.4	2.3	2.3	2.3	2.3	2.2	2.2	2.2
Civilian labor force "	87.6	88.5	89.0	89.8	90.5	90.6	91.4	91.8
Unemployment rate (per cent)	5.0	4.9	4.8	4.8	5.2	5.1	5.5	6.6
Nonfarm payroll employment (millions)	75.8	76.5	77.1	77.8	78.0	78.3	78.7	78.3
Manufacturing	19.8	20.0	20.1	20.3	20.2	20.2	20.1	19.6
Industrial production (1967 = 100)	123.1	124.8	126.7	127.0	124.9	125.5	125.4	121.3
Capacity utilization, mfg. (per cent)	82.8	83.3	83.3	82.6	80.5	80.1	79.4	75.7
Major materials (per cent)	93.0	93.4	93.5	92.3	90.2	90.2	88.5	79.1
Housing starts, private (millions, A.R.)	2.39	2.17	2.01	1.62	1.61	1.53	1.21	1.00
Sales new autos (millions, A.R.)	12.18	12.03	11.33	10.15	9.04	9.17	10.07	7.38
Domestic models	10.26	10.17	9.66	8.51	7.49	7.92	8.52	6.05
Foreign models	1.92	1.85	1.67	1.64	1.55	1.25	1.55	1.33
1/ Net exports of g. & s. (Bal. of Paymts.)	-.7	.5	6.6	10.92/	11.22/	-.72/	-1.32/	3.32/
Exports	88.8	95.4	103.7	116.02/	132.32/	140.22/	146.82/	151.12/
Imports	89.5	94.9	97.1	105.1	121.1	140.9	148.1	147.8

2/ 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, \$.4, 1974-III, \$.3; and 1974-IV, \$.3.

July 9, 1975

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1973				1974			
	I	II	III	IV	I	II	III	IV
-----Billions of Dollars-----								
Gross National Product	44.2	29.0	31.0	35.1	14.8	25.0	32.5	14.6
Inventory change	-1.0	.7	1.1	17.1	-12.0	-3.4	-4.8	9.1
Final purchases	45.2	28.3	29.8	18.1	26.8	28.4	37.3	5.5
Private	38.8	24.0	26.2	8.6	16.9	20.3	29.4	-6.0
Net exports	4.5	1.3	6.2	2.6	2.0	-12.8	-1.6	5.0
Excluding net exports	34.3	22.7	20.0	6.0	14.9	33.1	31.0	-11.0
Personal consumption expenditures	24.5	17.3	17.3	7.6	16.7	28.5	32.2	-5.5
Durable goods	8.1	-.3	.3	-8.1	-.4	5.6	6.6	-15.4
Nondurable goods	12.4	9.4	11.1	8.3	12.3	11.4	13.2	2.7
Services	3.9	8.3	5.9	7.3	5.0	11.4	12.4	7.3
Residential fixed investment	1.8	.2	-.6	-4.5	-5.2	.4	-2.6	-5.8
Business fixed investment	8.0	5.1	3.4	2.9	3.3	4.2	1.5	.3
Government	6.4	4.3	3.6	9.5	9.9	8.1	7.9	11.5
Federal	1.2	-.2	-.9	3.1	3.1	2.8	2.9	7.3
State and local	5.2	4.5	4.5	6.3	6.9	5.3	5.0	4.2
GNP in constant (1958) dollars	18.6	4.6	3.4	4.9	-15.2	-3.4	-4.0	-19.1
Final purchases	20.2	4.1	3.1	-7.0	-5.8	-1.0	-.8	-25.0
Private	19.1	4.3	3.3	-9.0	-6.1	-.8	-.9	-25.4
-----In Per Cent Per Year <sup>1/</sup> -----								
Gross National Product	15.5	9.6	10.1	11.2	4.5	7.6	9.7	4.2
Final purchases	16.0	9.5	9.7	5.7	8.4	8.7	11.3	1.6
Private	17.7	10.3	11.0	3.4	6.7	8.0	11.5	-2.2
Personal consumption expenditures	13.6	9.2	8.9	3.8	8.4	14.3	15.7	-2.4
Durable goods	28.7	-.9	.9	-22.3	-1.3	19.3	22.0	-38.1
Nondurable goods	16.9	12.1	14.0	10.0	14.7	13.1	14.8	2.8
Services	4.9	10.6	7.3	8.9	5.9	13.6	14.3	8.0
Gross private domestic investment	19.8	12.8	7.8	33.1	-22.7	2.5	-10.9	7.2
Residential structures	13.3	1.4	-4.0	-27.6	-33.5	3.3	-19.7	-41.5
Business fixed investment	28.8	16.6	10.4	8.6	9.6	12.1	4.1	.8
Gov't. purchases of goods and services	10.1	6.5	5.4	14.4	14.6	11.4	10.8	15.6
Federal	4.6	-.7	-3.3	12.3	11.9	10.4	10.5	27.3
Defense	1.6	-5.2	-3.7	11.4	2.7	4.3	9.7	31.8
Other	12.3	10.6	-2.5	14.5	35.3	24.4	12.2	19.9
State and local	13.9	11.5	11.2	15.5	16.4	12.0	10.9	8.9
GNP in constant (1958) dollars	9.5	2.2	1.6	2.4	-7.0	-1.6	-1.9	-9.0
Final purchases	10.4	2.0	1.5	-3.3	-2.8	-.5	-.4	-11.7
Private	12.0	2.5	1.9	-5.1	-3.5	-.5	-.5	-14.3
GNP implicit deflator	5.5	7.3	8.3	8.6	12.3	9.4	11.9	14.4
Private GNP fixed weighted index <sup>2/</sup>	7.4	8.1	8.4	9.1	14.1	12.3	13.8	12.6
Personal income	12.1	10.5	11.6	12.2	4.9	8.2	12.4	6.6
Wage and salary disbursements	13.0	10.1	8.7	11.7	6.0	10.0	9.9	3.3
Disposable income	15.8	10.8	10.1	11.6	4.9	6.9	11.5	6.5
Corporate profits before tax	53.3	15.8	-6.9	.0	48.3	11.1	62.8	-50.8
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	25.0	9.8	11.1	10.3	15.4	16.0	21.2	-10.3
Expenditures	-1.5	3.4	1.5	11.4	16.3	16.0	19.2	20.6
Nonfarm payroll employment	5.0	3.9	3.0	3.8	1.0	1.6	1.7	-1.7
Manufacturing	6.3	4.4	2.1	3.7	-2.4	-.3	-.6	-10.4
Industrial production	10.0	5.6	6.2	1.0	-6.5	1.9	-.3	-12.5
Housing starts, private	-5.5	-32.7	-25.3	-58.3	-2.0	-19.1	-60.7	-53.0
Sales new autos	18.3	-5.0	-71.3	-35.5	-37.1	5.9	45.5	-71.7
Domestic models	15.4	-3.5	-18.6	-39.8	-40.0	25.1	33.8	-74.6
Foreign models	35.4	-12.9	-35.0	-5.9	-20.0	-57.8	138.3	-46.2

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



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

	1969	1970	1971	1972	1973	1974	1975	1976
							Projected	
Gross National Product	930.3	977.1	1054.9	1158.0	1294.9	1397.4	1467.9	1635.4
Final purchases								
Private	922.5	972.6	1048.6	1149.5	1279.6	1383.2	1480.5	1624.5
Excluding net exports	712.5	753.1	814.4	893.8	1003.2	1074.0	1137.9	1248.2
	710.6	749.5	814.6	899.8	999.3	1071.9	1133.5	1254.1
Personal consumption expenditures	579.5	617.6	667.1	729.0	805.2	876.7	950.1	1045.0
Durable goods	90.8	91.3	103.9	118.4	130.3	127.5	130.4	146.4
Nondurable goods	245.9	263.8	278.4	299.7	338.0	380.2	415.2	449.9
Services	242.7	262.6	284.8	310.9	336.9	369.0	404.6	448.7
Gross private domestic investment	139.0	136.3	153.7	179.3	209.4	209.4	170.8	220.1
Residential Construction	32.6	31.2	42.8	54.0	57.2	46.0	38.2	53.2
Business fixed investment	98.5	100.6	104.6	116.8	136.8	149.2	145.2	156.0
Change in business inventories	7.8	4.5	6.3	8.5	15.4	14.2	-12.6	10.9
Nonfarm	7.7	4.3	4.9	7.8	11.4	11.9	-12.2	10.9
Net exports of goods and services <sup>1/</sup>	1.9	3.6	- .2	- 6.0	3.9	2.1	4.4	-6.0
Exports	55.5	62.9	65.4	72.4	100.4	140.2	136.6	150.7
Imports	53.6	59.3	65.6	78.4	96.4	138.1	132.2	156.7
Gov't. purchases of goods and services	210.0	219.5	234.2	255.7	276.4	309.2	342.6	376.3
Federal	98.8	96.2	97.6	104.9	106.6	116.9	130.1	140.6
Defense	78.4	74.6	71.2	74.8	74.4	78.7	86.7	93.4
Other	20.4	21.6	26.5	30.1	32.2	38.2	43.4	47.2
State & local	111.2	123.3	136.6	150.8	169.8	192.3	212.6	235.8
Gross national product in constant (1958) dollars	725.6	722.5	746.3	792.5	839.2	821.2	788.8	831.8
GNP implicit deflator (1958=100)	128.2	135.4	141.4	146.1	154.3	170.2	186.1	196.6
Personal income	750.9	808.3	864.0	944.9	1055.0	1150.5	1235.6	1357.4
Wage and salary disbursements	509.7	542.0	573.0	626.8	691.7	751.2	786.4	851.6
Disposable income	634.4	691.7	746.4	802.5	903.7	979.7	1066.5	1157.5
Personal saving	38.2	56.2	60.5	52.6	74.4	77.0	90.1	85.0
Saving rate (per cent)	6.0	8.1	8.1	6.6	8.2	7.9	8.4	7.3
Corporate profits & inventory val. adj.	79.8	69.2	78.7	92.2	105.1	105.6	105.6	136.9
Corporate profits before tax	84.9	74.0	83.6	99.2	122.7	140.7	112.7	143.3
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	197.3	192.0	198.5	227.2	258.5	291.1	281.6	332.1
Expenditures	189.2	203.9	220.3	244.7	264.2	299.1	357.0	392.3
Surplus or deficit (-)	8.1	-11.9	-21.9	-17.5	-5.6	-8.1	-75.4	-60.3
High employment surplus or deficit (-)	8.8	3.7	-4.7	-6.7	- .7	19.1	-11.5	-5.6
State and local government surplus or deficit (-), (N.I.A. basis)	.7	1.8	3.4	12.3	9.2	1.8	-1.8	-2.2
Total labor force (millions)	84.2	85.9	86.9	89.0	91.0	93.2	94.8	96.4
Armed forces "	3.5	3.2	2.8	2.4	2.3	2.2	2.2	2.2
Civilian labor force "	80.7	82.7	84.1	86.5	88.7	91.0	92.6	94.0
Unemployment rate (per cent)	3.5	4.9	5.9	5.6	4.9	5.6	8.8	8.5
Nonfarm payroll employment (millions)	70.4	70.9	71.2	73.7	76.8	78.3	76.8	78.4
Manufacturing	20.2	19.3	18.6	19.1	20.1	20.0	18.3	18.9
Industrial production (1967 = 100)	110.7	106.7	106.8	115.2	125.6	124.7	112.1	122.8
Capacity utilization, mfg. (per cent)	86.5	78.3	75.0	78.6	83.0	78.9	67.7	71.9
Major materials (per cent)	90.0	86.2	85.3	89.6	93.0	87.0	72.0	80.2
Housing starts, private (millions, A.R.)	1.47	1.43	2.05	2.36	2.05	1.34	1.23	1.66
Sales new autos (millions, A.R.)	9.57	8.40	10.24	10.93	11.44	8.87	8.48	9.96
Domestic models	8.46	7.12	8.68	9.32	9.67	7.45	6.86	8.25
Foreign models	1.11	1.28	1.56	1.61	1.77	1.42	1.62	1.71
<sup>1/</sup> Net exports of g. & s. (Bal. of Paymts.)	1.3	2.9	- .2	-6.0	4.4	2/ 3.32/	8.93	-1.45
Exports	55.0	62.3	65.4	72.4	101.0	142.62/	143.0	157.1
Imports	53.6	59.4	65.6	78.4	96.6	139.4	134.1	158.6

<sup>2/</sup> 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.

CONFIDENTIAL - FR

July 9, 1975

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1969	1970	1971	1972	1973	1974	Projected	
							1975	1976
-----Billions of Dollars-----								
Gross National Product	66.1	46.8	77.8	103.1	136.9	102.5	70.5	167.5
Inventory change	.7	-3.3	1.8	2.2	6.9	- 1.2	-76.8	23.5
Final purchases	65.4	50.1	76.0	100.9	130.1	103.6	97.3	144.0
Private	55.0	40.6	61.3	79.4	109.4	70.8	63.9	110.3
Net exports	- .6	1.7	-3.8	-5.8	9.9	- 1.8	2.3	-10.4
Excluding net exports	55.6	38.9	65.1	85.2	99.5	72.6	61.6	120.6
Personal consumption expenditures	43.3	38.1	49.6	61.9	76.2	71.5	73.4	94.9
Durable goods	6.8	.5	12.6	14.5	11.9	- 2.8	2.9	16.0
Nondurable goods	15.1	17.9	14.6	21.3	38.3	42.2	35.0	34.7
Services	21.4	19.9	22.2	26.1	26.0	32.1	35.6	44.1
Residential fixed investment	2.5	-1.4	11.6	11.2	3.2	-11.2	-7.8	15.0
Business fixed investment	9.7	2.1	4.0	12.2	20.0	12.4	-4.0	10.8
Government	10.4	9.5	14.7	21.5	20.7	32.8	33.4	33.7
Federal	.0	-2.6	1.4	7.3	1.7	10.3	13.2	10.5
State and local	10.4	12.1	13.3	14.2	19.0	22.5	20.3	23.2
GNP in constant (1958) dollars	19.0	-3.1	23.8	46.2	46.7	-18.0	-32.4	43.0
Final purchases	18.7	- .4	-22.5	-44.4	43.0	-15.9	-15.2	27.1
Private	20.6	6.2	18.5	46.1	45.2	-17.5	-17.7	29.5
-----Per Cent per Year-----								
Gross National Product	7.6	5.0	8.0	9.8	11.8	7.9	5.0	11.4
Final purchases	7.6	5.4	7.8	9.6	11.3	8.1	7.0	9.7
Private	8.4	5.7	8.1	9.7	12.2	7.1	5.9	9.7
Personal consumption expenditures	8.1	6.6	8.0	9.3	10.5	8.9	8.4	10.0
Durable goods	8.1	.6	13.8	14.0	10.1	- 2.1	2.3	12.3
Nondurable goods	6.5	7.3	5.5	7.7	12.8	12.5	9.2	8.4
Services	9.7	8.2	8.5	9.2	8.4	9.5	9.6	10.9
Gross private domestic investment	10.3	-1.9	12.8	16.7	16.8	.0	-18.4	28.9
Residential structures	8.3	-4.3	37.2	26.2	5.9	-19.6	-17.0	39.3
Business fixed investment	10.9	2.1	4.0	11.7	17.1	9.1	-2.7	7.4
Gov't purchases of goods & services	5.2	4.5	6.7	9.2	8.1	11.9	10.8	9.8
Federal	.0	-2.6	1.5	7.5	1.6	9.7	11.3	8.1
Defense	.1	-4.8	-4.6	5.1	- .5	5.8	10.2	7.7
Other	- .5	5.9	22.7	13.6	7.0	18.6	13.6	8.8
State and local	10.3	10.9	10.8	10.4	12.6	13.3	10.6	10.9
GNP in constant (1958) dollars	2.7	- .4	3.3	6.2	5.9	- 2.1	-3.9	5.4
Final purchases	2.7	- .1	3.1	6.0	5.5	- 1.9	-1.9	3.4
Private	3.7	1.1	3.9	6.7	6.5	- 2.6	-2.7	4.6
GNP implicit deflator	4.8	5.5	4.6	3.4	5.6	10.3	9.3	5.6
Private GNP fixed weighted index <sup>1/</sup>	4.7	4.8	4.3	3.3	6.3	11.4	9.3	5.4
Personal income	9.0	7.6	6.9	9.4	11.7	9.1	7.4	9.9
Wage and salary disbursements	9.6	6.3	5.8	9.3	10.4	8.6	4.7	8.3
Disposable income	7.3	9.0	7.9	7.5	12.6	8.4	8.9	8.5
Corporate profits before tax	-3.1	-12.8	13.0	18.7	23.7	14.7	-19.9	27.2
Federal Government receipts and expenditures (N.I.A. basis)								
Receipts	12.7	-2.7	3.4	14.5	13.8	12.6	-3.3	17.9
Expenditures	4.2	7.8	8.0	11.1	8.0	13.2	19.4	9.9
Nonfarm payroll employment	3.7	.7	.4	3.5	4.2	2.0	-1.9	2.1
Manufacturing	2.0	-4.1	-4.0	2.8	5.0	-.2	-8.5	3.2
Industrial production	4.7	-3.6	.1	7.9	9.0	-.7	-10.1	9.5
Housing starts, private	-2.7	-2.3	43.2	14.9	-13.2	-34.6	-8.2	35.0
Sales new autos	- .6	-12.3	21.9	6.7	4.7	-22.5	-4.4	17.5
Domestic models	-1.8	-15.9	21.9	7.4	3.7	-23.0	-7.9	20.3
Foreign models	9.0	15.5	21.8	3.3	9.8	-20.1	14.1	5.6

<sup>1/</sup> Using expenditures in 1967 as weights.

Table 2  
 FUNDS RAISED IN CREDIT MARKETS  
 Seasonally adjusted annual rates  
 Flow-of-funds basis  
 1974-75  
 (\$ billions)

	1974 H2	1975 H1	1975 H2 Proj.
1. ALL GOVERNMENTS -- TOTAL	63.0	107.9	96.0
2. U.S. Government <u>1/</u>	18.9	86.2	73.0
3. Sponsored agencies <u>2/</u>	27.4	4.6	-1.0
4. State and local	<u>16.7</u>	<u>17.1</u>	<u>24.0</u>
5. PRIVATE DOMESTIC NON-FINANCIAL & NON-GOV'T	125.6	71.4	81.0
6. Business	<u>79.3</u>	<u>38.3</u>	37.0
7. Short-term <u>3/</u>	<u>42.4</u>	<u>-9.9</u>	-4.0
8. Long-term <u>4/</u>	<u>36.9</u>	<u>48.2</u>	<u>40.0</u>
9. Consumer credit	<u>6.6</u>	<u>-5.4</u>	<u>-1.0</u>
10. Residential mortgages	35.7	35.4	43.0
11. Other	4.0	3.1	<u>2.0</u>
12. FOREIGN	10.9	--	3.0
13. CREDIT & EQUITY BORROWING OF PRIVATE FINANCIAL INSTITUTIONS <u>5/</u>	8.1	-8.9	3.0
14. TOTAL FUNDS RAISED IN CREDIT MARKETS	<u>207.5</u>	<u>170.3</u>	<u>183.0</u>

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

2/ FNMA, FICB, Bank for Coops, Land Banks, and GNMA Guaranteed Mortgage backed securities.

3/ Business bank loans and open market paper.

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

5/ Includes FHLB advances to savings and loan associations as follows:

1974 H2: \$6.5 billion

1975 H1: -\$11.6 billion

1975 H2: -\$6.0 billion.

Table 3  
 FUNDS ADVANCED IN CREDIT MARKET  
 Seasonally adjusted annual rates  
 Flow of funds basis  
 1974-75  
 (\$ billions)

	1974 H2	1975 H1	1975 H2 Proj.
1. PRIVATE FINANCIAL INSTITUTIONS	113.1	129.3	133.0
2. Domestic commercial banks and affiliates	41.3	34.9	52.0
3. Thrift institutions <u>1/</u>	19.9	52.3	37.0
4. Insurance and pension funds <u>2/</u>	44.2	42.0	42.0
5. All other <u>3/</u>	<u>7.7</u>	<u>.1</u>	<u>2.0</u>
6. U.S. GOVERNMENT	46.4	30.7	20.0
7. Direct <u>4/</u>	12.5	14.5	8.0
8. Sponsored credit agencies <u>5/</u>	27.6	7.2	1.0
9. Federal Reserve	<u>6.2</u>	<u>9.0</u>	11.0
10. HOUSEHOLDS	29.5	-21.2	-8.0
11. ALL OTHER <u>6/</u>	<u>18.6</u>	<u>31.5</u>	<u>38.0</u>
12. TOTAL FUNDS ADVANCED IN CREDIT MARKETS	<u>207.5</u>	<u>170.3</u>	<u>183.0</u>

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- 1/ Savings and loan associations, mutual savings banks, and credit unions.  
2/ Life and other insurance companies, private and public pension funds.  
3/ Finance companies, REIT's, open-end investment companies, and securities  
 brokers and dealers.  
4/ Lending by on-budget and off-budget agencies.  
5/ FNMA, FHLB, FICB, Land Banks, Banks for Coops. Includes mortgage pools  
 GNMA guaranteed securities.  
6/ Businesses, state and local governments, and rest of world.

## **Part 2**

**July 9, 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)

July 9, 1975

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff  
Board of Governors  
of the Federal Reserve System

Table 10

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

	F.R.B. Staff Estimates										
	Fiscal 1975e/		Fiscal 1976e/		Calendar Years		Calendar Quarters				Half-Year
	Adm. Est.	F.R.	Adm. Est.	F.R.	1974	1975	1975				1976
	5-30-75	Board	5-30-75	Board	Actual	F.R.B. e/	I*	II	III	IV	Jan.-June
	Unadjusted data										
Federal Budget											
Surplus/deficit	-42.6	-45.0	-59.9	-69.4	-10.9	-71.7	-18.0	-13.5	-16.5	-23.7	-29.0
Receipts	281.0	281.5	299.0	297.6	280.5	280.1	65.1	76.6	72.0	66.4	159.3
Outlays	323.6	326.5	358.9	367.0	291.4	351.8	83.1	90.1	88.5	90.1	188.3
Means of financing:											
Net borrowing from the public	50.8	51.2	74.0	80.2	11.8	81.6	19.4	17.0	17.4	27.8	35.0
Decrease in cash operating balance	n.a.	1.6*	n.a.	1.6	4.5	-.1	-.7	-1.0*	2.7	-1.1	--
Off-budget deficit 1/	n.a.	-9.5	-14.2 <sup>2/</sup>	-14.2	-3.6	-12.7	-5.3	-2.5	-1.4	-3.5	-9.3
Other 3/	n.a.	1.8	n.a.	1.7	-1.7	2.9	4.6	--	-2.2	.5	3.3
Cash operating balance, end of period	n.a.	7.6*	n.a.	6.0	5.9	6.0	6.6	7.6*	4.9	6.0	6.0
Memo: Sponsored agency borrowing <sup>4/</sup>	n.a.	10.8	n.a.	n.e.	16.6	1.2	.1	-.4	.6	.9	n.e.
National Income Sector							Seasonally adjusted, annual rates				
Surplus/deficit	n.a.	-47.7 <sup>5/</sup>	n.a.	-66.5 <sup>5/</sup>	-8.1	-75.4	-54.4	-107.4	-70.7	-69.2	-61.2
Receipts	n.a. <sup>2/</sup>	281.8 <sup>5/</sup>	n.a. <sup>2/</sup>	308.8 <sup>5/</sup>	291.1	281.6	284.1	248.0	291.0	303.2	322.3
Expenditures	330.9 <sup>2/</sup>	329.5	371.4 <sup>2/</sup>	375.3	299.1	357.0	338.5	355.4	361.7	372.4	383.5
High Employment surplus/deficit (NIA basis) 6/7/	n.a.	3.8	n.a.	-7.4	19.1	-11.5	9.6	-37.0	-8.5	-10.1	-5.6
* Actual	e--projected		n.e.--not estimated		n.a.--not available		p--preliminary				

1/ Deficit of off-budget Federal agencies, i.e., Federal Financing Bank, Postal Service, Export-Import Bank, Rural Electrification and Telephone revolving fund, Housing for the Elderly or Handicapped Fund, and Pension Benefit Guaranty Corporation.

2/ Unpublished confidential O.M.B. estimate consistent with Mid-Session Review of the 1976 Budget, May 30, 1975.

3/ Checks issued less checks paid, accrued items, and other transactions.

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

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

6/ Estimated by F.R. Board staff.

7/ 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)

	1975					
	QI	QII <sup>e/</sup>	May <sup>e/</sup>	June <sup>e/</sup>	July <sup>f/</sup>	Aug. <sup>f/</sup>
<u>Gross Offerings</u>						
Corporate securities						
Total	5,083	5,325	5,335	5,910	4,400	4,300
Publicly-offered bonds	3,643	3,583	3,700	4,100	3,100	3,000
Privately-placed bonds	737	717	650	750	600	600
Stocks	703	1,025	985	1,060	700	700
Foreign securities <sup>1/</sup>	418	392	500	450	600	300
State and local government securities						
Long-term	2,255	2,720	2,786	3,000	3,500	3,100
Short-term	2,554	3,089	3,444	2,700	2,600	2,600
<u>Net Offerings</u>						
U.S. Treasury <sup>2/</sup>	6,484	5,647	8,556 <sup>3/</sup>	900	8,000	7,800
Sponsored Federal agencies	40	-78	-1,610	571	550	-354

<sup>1/</sup> Includes issues of foreign private and official institutions.

<sup>2/</sup> Total Treasury issues, including Federal Financing Bank.

<sup>3/</sup> Actual.

<sup>e/</sup> Estimated.

<sup>f/</sup> Forecasted.