

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

April 12, 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	1972 Proj.	1971		1972 Projected			
			III	IV	I	II	III	IV
Gross National Product	1046.8	1145.4	1053.4	1072.9	1102.9	1129.9	1159.9	1188.9
Final purchases	1044.5	1138.2	1054.6	1070.4	1098.9	1124.9	1151.9	1177.2
Private	811.5	881.8	820.8	829.6	851.4	871.4	892.1	912.3
Excluding net exports	811.5	883.9	820.8	834.2	856.2	874.4	892.6	912.5
Personal consumption expenditures	662.1	712.7	668.8	677.2	689.2	704.3	719.8	737.3
Durable goods	100.5	111.6	102.8	103.6	107.0	109.9	112.9	116.4
Nondurable goods	278.6	296.6	280.2	283.3	286.2	292.9	299.7	307.5
Services	282.9	304.5	285.8	290.3	296.0	301.5	307.2	313.4
Gross private domestic investment	151.6	178.4	150.8	159.4	171.0	175.1	180.8	186.9
Residential construction	40.6	49.3	42.7	44.4	49.1	49.7	49.8	48.8
Business fixed investment	108.7	121.9	109.3	112.6	117.9	120.4	123.0	126.4
Change in business inventories	2.2	7.2	-1.2	2.4	4.0	5.0	8.0	11.7
Nonfarm	1.7	7.1	-2.0	2.0	3.6	5.0	8.0	11.7
Net exports of goods and services ^{1/}	0.0	-2.1	0.0	-4.6	-4.8 ^{1/}	-3.0	-0.5	-0.2
Exports	65.3	71.0	68.2	60.4	68.6	69.3	71.9	74.2
Imports	65.3	73.1	68.2	65.0	73.4	72.3	72.4	74.4
Gov't. purchases of goods and services	233.0	256.4	233.8	240.8	247.5	253.5	259.8	264.9
Federal	97.6	105.8	97.6	100.3	103.5	105.5	107.3	106.9
Defense	71.4	75.3	70.2	71.4	74.0	75.0	76.0	76.4
Other	26.2	30.5	27.4	28.9	29.5	30.5	31.3	30.5
State & local	135.5	150.6	136.2	140.5	144.0	148.0	152.5	158.0
Gross national product in constant (1958) dollars	739.4	781.3	740.7	751.3	761.8	773.7	788.0	801.7
GNP implicit deflator (1958 = 100)	141.6	146.6	142.2	142.8	144.8	146.0	147.2	148.3
Personal income	857.0	923.4	864.6	876.7	897.0	913.3	932.8	950.5
Wage and salary disbursements	574.2	626.5	577.3	587.0	606.8	619.6	633.0	646.5
Disposable income	741.3	795.2	748.5	755.0	767.4	786.4	805.2	821.6
Personal saving	60.5	63.2	61.0	59.0	59.2	62.9	66.0	64.7
Saving rate (per cent)	8.2	7.9	8.2	7.8	7.7	8.0	8.2	7.9
Corporate profits before tax	85.5	100.4	85.8	86.2	90.0	95.5	104.0	112.0
Corp. cash flow, net of div. (domestic)	81.0	96.9	82.4	85.6	89.0	93.6	99.7	105.2
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	198.8	220.4	197.8	203.1	217.2	217.0	221.4	226.0
Expenditures	221.9	246.7	224.6	228.7	236.5	245.4	251.4	253.3
Surplus or deficit (-)	-23.1	-26.3	-26.7	-25.6	-19.3	-28.4	-30.0	-27.3
High employment surplus or deficit (-)	2.9	-0.5	1.3	6.6	9.5	-0.8	-6.7	-4.3
Total labor force (millions)	86.9	89.0	87.0	87.7	88.4	88.7	89.2	89.7
Armed forces "	2.8	2.5	2.8	2.7	2.5	2.5	2.5	2.5
Civilian labor force "	84.1	86.5	84.2	85.0	85.9	86.2	86.7	87.2
Unemployment rate (per cent)	5.9	5.6	6.0	5.9	5.8	5.7	5.5	5.4
Nonfarm payroll employment (millions)	70.7	72.6	70.6	71.0	71.8	72.3	72.9	73.4
Manufacturing	18.6	18.9	18.5	18.6	18.7	18.8	18.9	19.0
Industrial production (1967 = 100)	106.3	112.7	105.9	107.0	108.9	111.2	113.9	116.6
Capacity utilization, manufacturing (per cent)	74.4	75.6	73.9	73.8	74.3	75.0	76.0	77.1
Housing starts, private (millions, A.R.)	2.05	2.27	2.11	2.23	2.48	2.30	2.20	2.10
Sales new autos (millions, A.R.)	10.13	10.44	10.27	10.43	10.24	10.25	10.50	10.75
Domestic models	8.68	8.92	8.74	9.18	8.67	8.75	9.00	9.25
Foreign models	1.46	1.52	1.53	1.25	1.57	1.50	1.50	1.50

^{1/} The projected GNP exports and imports of goods and services, and their net, are based on quarter-to-quarter changes projected in balance of payments exports and imports, shown below. These are consistent with revised '71-IV figures not yet incorporated in the GNP accounts.

Net exports of goods and services	0.7	0.4	0.2	-2.1	-2.3	-0.5	2.0	2.3
Exports	65.9	73.3	68.3	62.7	70.9	71.6	74.2	76.5
Imports	65.2	72.9	68.1	64.8	73.2	72.1	72.2	74.2

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CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1971	1972 Proj.	1971		1972 Projected			
			III	IV	I	II	III	IV
-----Billions Of Dollars-----								
Gross National Product	72.7	98.6	13.4	19.5	30.0	27.0	30.0	29.0
Inventory change	-0.6	5.0	-5.8	3.6	1.6	1.0	3.0	3.7
Final purchases	73.2	93.7	19.2	15.8	28.5	26.0	27.0	25.3
Private	59.6	70.3	15.0	8.8	21.8	20.0	20.7	20.2
Excluding net exports	63.2	72.4	15.1	13.4	22.0	18.2	18.2	19.9
Net exports	-3.6	-2.1	-0.1	-4.6	-0.2	1.8	2.5	0.3
Government	13.6	23.4	4.2	7.0	6.7	6.0	6.3	5.1
GNP in constant (1958) dollars	19.4	41.9	4.9	10.6	10.5	11.9	14.3	13.7
Final purchases	19.6	38.2	9.5	7.7	9.9	10.7	12.0	10.7
Private	19.8	32.8	6.9	4.1	10.2	9.2	10.2	9.8
-----In Per Cent Per Year-----								
Gross National Product	7.5	9.4	5.2 ^{1/}	7.6 ^{1/}	11.2	9.8	10.6	10.0
Final purchases	7.5	9.0	7.4	6.0	10.7	9.5	9.6	8.8
Private	7.9	8.7	7.4	4.3	10.5	9.4	9.5	9.1
Personal consumption expenditures	7.5	7.6	7.0	5.0	7.1	8.8	8.8	9.7
Durable goods	13.4	11.0	14.9	3.1	13.1	10.8	10.9	12.4
Nondurable goods	5.3	6.5	3.5	4.4	4.1	9.4	9.3	10.4
Services	7.8	7.6	7.6	6.3	7.9	7.4	7.6	8.1
Gross private domestic investment	12.0	17.7	-5.5	22.8	29.1	9.6	13.0	13.5
Residential construction	33.6	21.4	27.0	15.9	42.3	4.9	0.8	-8.0
Business fixed investment	6.5	12.1	3.7	12.1	18.8	8.5	8.6	11.1
Gov't. purchases of goods & services	6.2	10.0	7.3	12.0	11.1	9.7	9.9	7.9
Federal	0.4	8.4	6.7	11.1	12.8	7.7	6.8	-1.5
Defense	-5.3	5.5	-6.7	6.8	14.6	5.4	5.3	2.1
Other	19.6	16.4	45.5	21.9	8.3	13.6	10.5	-10.2
State & local	10.9	11.1	7.8	12.6	10.0	11.1	12.2	14.4
GNP in constant (1958) dollars	2.7	5.7	2.7 ^{1/}	5.8 ^{1/}	5.6	6.2	7.4	6.9
Final purchases	2.7	5.2	5.2	4.2	5.3	5.7	6.2	5.5
Private	3.4	5.5	4.6 ^{1/}	2.7 ^{1/3/}	6.7 ^{4/}	6.0	6.5	6.2
GNP implicit deflator	4.7	3.5	2.5 ^{1/}	1.7 ^{1/3/}	5.5 ^{4/}	3.5	3.2	3.0
Private GNP fixed weight index ^{2/}	5.3	3.5	3.6 ^{1/}	1.8 ^{1/}	4.3	3.5	3.2	3.0
Personal income	6.6	7.7	5.2	5.6	9.3	7.3	8.5	7.6
Wage and salary disbursements	6.1	9.1	4.4	6.7	13.5	8.4	8.7	8.5
Disposable income	7.8	7.3	4.8	3.5	6.6	9.9	9.6	8.1
Corporate profits before tax	13.4	17.4	-5.1	1.9	17.6	24.4	35.6	30.8
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	3.8	10.8	0.2	10.7	27.8	-0.4	8.1	9.3
Expenditures	8.2	11.2	5.8	7.3	13.6	15.1	9.8	3.0
Nonfarm payroll employment	0.1	2.7	-0.2	2.3	4.5	2.8	3.3	2.7
Manufacturing	-3.9	1.3	-2.4	2.2	2.2	2.1	2.1	2.1
Industrial production	-0.4	6.0	-3.4	4.2	7.1	8.1	9.8	9.5
Housing starts, private	43.4	10.7	36.5	22.7	44.8	-29.0	-17.4	-18.2
Sales new autos	21.3	2.7	19.0	6.2	-7.3	0.4	9.8	9.5
Domestic models	21.9	2.3	22.7	20.1	-22.2	3.7	11.4	11.1
Foreign models	18.7	5.0	-1.0	-73.2	102.4	-17.8	0.0	0.0

^{1/} At compound rates.^{2/} Using expenditures in 1967 as weights.^{3/} Excluding the first \$1.2 billion, annual rate, of the volunteer army pay increase, 1.2 per cent per year.^{4/} Excluding the remaining \$1.2 billion, annual rate, of the volunteer army pay increase and the general Federal employees pay increase, 4.3 per cent per year.

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

	1971	1972		
	Monthly average	March ^{e/}	April ^{f/}	May ^{f/}
Corporate securities - total	3,750	3,550	3,300	3,050
Public bonds	2,005	1,650	1,850	1,600
Privately placed bonds	613	300	550	550
Stock	1,030	1,100	900	900
State and local government securities	2,080	2,150	2,100	1,800

^{e/} Estimated.
^{f/} Forecast.

The recent rise in tax-exempt yields has raised expectations of further yield advances and thus triggered the issuance of a number of large revenue bonds. Because of this pick-up, staff estimates of March and April volume have been revised upward to a \$2.1 billion monthly rate. The pace at which banks--particularly money center banks--have acquired long-term municipals has slackened in recent weeks. Moreover, casualty companies are reported to have substituted purchases of higher-yielding revenue bonds, which have recently come to market in large volume, for their previous acquisitions of long-term general obligation bonds--a factor which has been reflected in the sharp rise of the Bond Buyer index of 20-year general obligation issues over the past two weeks.

Fiscal 1972
Federal Revenues and Outlays (Budget basis)
(In billions of dollars)

	Budget Document (1-21-72)	Staff Estimate (4-10-72)	Difference
Revenues	<u>197.8</u>	<u>202.5</u>	<u>4.7</u>
Due to personal tax overwithholding	-- <u>1/</u>	3.5 <u>1/</u>	3.5
Due to larger corporate income taxes	--	1.2	1.2
Outlays <u>2/</u>	<u>236.6</u>	<u>231.6</u>	<u>-5.0</u>
Defense	78.0	77.2	-.8
General revenue sharing	2.3	--	-2.3
Other non-defense	156.3	154.4	-1.9
Deficit	38.8	29.1	-9.7
Estimate of First Half			
Cash finance need			
Not Seasonally adjusted	17.9	4.5	-13.4 <u>3/</u>
Seasonally adjusted	24.9	11.5	-13.4

1/ Budget estimate included only a correction for previous underwithholding. The staff estimate of \$3.5 in overwithholding includes a deduction for smaller income tax declarations in April and June, estimated to total \$1.2 billion.

2/ Staff estimates still assume a considerable acceleration in both defense and nondefense outlays toward the end of the second quarter. The projected \$1.9 billion short-fall in other nondefense outlays is widespread; it includes shortfalls in nondefense purchases, transfer payments, and grants.

3/ Differs from change in deficit shown above, because of (1) smaller cash balance at end of fiscal year than is assumed in Budget Document, (2) \$0.8 billion of capital gains from gold revaluation, (3) a larger amount of unpaid checks outstanding at end of fiscal year.

PROJECTION OF TREASURY CASH OUTLOOK
(In billions of dollars)

	March	April	May	June
<u>Total net borrowing</u>	4.1	-2.0	1.3	1.0
Weekly and monthly bills	4.2	--	--	--
Tax bills	--	-4.0	--	-3.0
Coupon issues	--	1.8	--	--
As yet unspecified new borrowing	--	--	--	4.0
Other (debt repayments, etc.)	-.1	.2	1.3	--
Plus: <u>Other net financial sources</u> ^{a/}	.6	.8	.3 ^{c/}	-.4
Plus: <u>Budget surplus or deficit (-)</u>	-4.1	3.3	-6.0	1.6
Equals: <u>Change in cash balance</u>	.6 ^{b/}	2.1	-4.4	2.2
Memoranda: Level of cash balance end of period	7.7 ^{b/}	9.8	5.4 ^{c/}	7.6 ^{c/}
Derivation of budget surplus or deficit:				
Budget receipts	15.2	22.3	14.4	24.6
Budget outlays	19.3	19.0	20.4	23.0
Maturing coupon issues held by public	--	--	2.5	1.1
Net agency borrowing	.3	.3	*	.8

^{a/} Checks issued less checks paid and other accrual items.

^{b/} Actual.

^{c/} Includes \$0.8 billion of capital gains from gold revaluation.

* Less than 50 million dollars.

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

	Fiscal 1972 e/		FY 1973 e/	Calendar Years		Calendar Quarters				
	Jan.	F.R.	Jan.	1971	1972		F.R.B. Staff Estimates			
	Budget	Board	Budget	Actual	F.R.B.	IV*	1972			
							I	II	III	IV
Federal Budget										
(Quarterly data, unadjusted)										
Surplus/deficit	-38.8	-29.1	-25.5	-24.8	-31.8	-10.6	-9.5	-1.1	-9.3	-11.9
Receipts	197.8	202.5	220.8	194.0	212.3	44.6	48.0	61.3	53.9	49.1
Outlays	236.6	231.6	246.3	218.8	244.2	55.2	57.6	62.4	63.2	61.0
Means of financing:										
Net borrowing from the public	39.5	26.1	27.5	24.8	25.4	12.5	4.2	.3	8.3	12.6
Decrease in cash operating balance	--	1.2	--	-3.2	3.7	-1.3	3.6	.1	--	--
Other <u>1/</u>	-.7	1.7	-2.0	3.2	2.7	-.6	1.7	.7	1.0	-.7
Cash operating balance, end of period	8.8	7.6	8.8	11.3	7.6	11.3	7.7	7.6	7.6	7.6
Memo: Net agency borrowing ^{2/}	n.a.	4.6	n.e.	1.1	n.e.	1.4	.5	1.0	n.e.	n.e.
National Income Sector										
(Seasonally adjusted annual rate)										
Surplus/deficit	-35.0	-25.0	-28.0	-23.1	-26.3	-25.6	-19.3	-28.4	-30.0	-27.3
Receipts	202.8	208.8	227.9	198.8	220.4	203.1	217.2	217.0	221.4	226.0
Expenditures	237.8	233.8	255.9	221.9	246.6	228.7	236.5	245.4	251.3	253.3
High employment surplus/deficit (NIA basis) <u>3/</u>	n.a.	4.1	n.a.	2.9	-.5	6.6	9.5	-.8	-6.7	-4.3

* Actual e--projected n.e.--not estimated n.a.--not available

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

2/ 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.

3/ Estimated by F.R. Board Staff.