

Confidential (FR)

Part 1

June 11, 1975

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

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)

June 11, 1975

SUMMARY AND OUTLOOK

By the Staff
Board of Governors
of the Federal Reserve System

SUMMARY AND OUTLOOK

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)	
	5/14/75	6/11/75	5/14/75	6/11/75	5/14/75	6/11/75	5/14/75	6/11/75
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	65.8	71.4	-4.1	-4.0	9.3	9.3	9.1	8.9
1976	n.a.	163.5	n.a.	5.2	n.a.	5.4	n.a.	8.7
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>	-11.7	-13.8	-10.4	-11.3	7.6	7.7	8.3	8.3
II	19.8	25.9	-1.2	.3	6.8	7.0	9.2	9.2
III	37.0	42.0	4.6	5.4	5.7	6.3	9.4	9.2
IV	42.5	45.0	5.7	5.7	5.3	5.6	9.3	9.0
1976-I	39.5	41.5	5.6	5.6	4.8	5.3	9.1	8.9
II	35.0	40.0	4.6	5.4	4.5	4.9	9.1	8.8
III	n.a.	40.0	n.a.	5.4	n.a.	4.7	n.a.	8.6
IV	n.a.	43.0	n.a.	5.3	n.a.	4.6	n.a.	8.5
Change:								
74-II to								
75-II	55.2	59.2	-5.7	-5.6	10.4	10.2	4.1	4.1
74-IV to								
75-IV	87.6	99.1	- .5	- .3	6.6	6.6	2.7	2.4
75-II to								
76-II	154.0	168.5	5.1	5.5	5.1	5.5	- .1	- .4
75-IV to								
76-IV	n.a.	164.5	n.a.	5.4	n.a.	4.9	n.a.	- .5

1/ Actual.

June 11, 1975

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	1417.1	1443.0	1485.0	1530.0	1571.5	1611.5	1651.5	1694.5
Final purchases	1436.3	1454.5	1493.8	1533.0	1567.5	1603.5	1642.0	1683.5
Private	1104.7	1118.0	1150.1	1177.9	1204.4	1232.8	1263.7	1293.9
Excluding net exports	1095.4	1113.7	1146.3	1178.6	1207.1	1236.9	1267.4	1297.8
Personal consumption expenditures	913.2	934.1	961.9	987.4	1009.0	1031.6	1054.7	1078.0
Durable goods	124.9	125.0	129.5	135.0	140.0	143.5	147.5	151.5
Nondurable goods	398.8	409.6	421.9	430.7	436.5	444.4	452.3	460.4
Services	389.5	399.5	410.5	421.7	432.5	443.7	454.9	466.1
Gross private domestic investment	163.1	168.1	175.6	188.2	202.1	213.3	222.2	230.8
Residential construction	35.3	35.6	39.9	44.7	48.4	51.6	54.5	55.6
Business fixed investment	146.9	144.0	144.5	146.5	149.7	153.7	158.2	164.2
Change in business inventories	-19.2	-11.5	-8.8	-3.0	4.0	8.0	9.5	11.0
Nonfarm	-17.8	-10.5	-8.5	-4.0	4.0	8.0	9.5	11.0
Net exports of goods and services ^{1/}	9.3	4.3	3.8	-.7	-2.7	-4.1	-3.7	-3.9
Exports	143.4	136.4	138.4	141.3	146.7	151.7	157.1	162.2
Imports	134.1	132.1	134.6	142.0	149.4	155.8	160.8	166.1
Gov't. purchases of goods and services	331.6	336.5	343.7	355.1	363.1	370.7	378.3	389.6
Federal	126.5	127.5	129.4	134.8	136.8	138.2	139.9	145.7
Defense	84.7	84.8	86.1	90.1	91.2	92.2	93.1	97.1
Other	41.8	42.7	43.3	44.7	45.6	46.0	46.8	48.6
State and local	205.1	209.0	214.3	220.3	226.3	232.5	238.4	243.9
Gross national product in constant (1958) dollars	780.2	780.7	791.1	802.0	812.9	823.7	834.5	845.3
GNP implicit deflator (1958=100)	181.7	184.8	187.7	190.8	193.3	195.6	197.9	200.5
Personal income	1193.4	1221.9	1248.5	1279.0	1305.9	1338.0	1370.2	1403.4
Wage and salary disbursements	765.1	776.5	793.5	813.5	833.0	853.3	873.3	896.6
Disposable income	1015.5	1081.4	1074.3	1097.3	1116.4	1142.9	1168.1	1195.2
Personal saving	75.9	121.2	86.0	83.2	80.2	83.6	85.2	88.5
Saving rate (per cent)	7.5	11.2	8.0	7.6	7.2	7.3	7.3	7.4
Corporate profits & inventory val. adj.	93.4	97.8	107.8	118.2	125.6	131.4	137.4	143.3
Corporate profits before tax	100.3	109.5	116.0	125.0	131.0	135.5	140.5	145.5
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts ^{2/}	283.8	251.3	290.0	301.4	315.8	324.1	333.9	343.1
Expenditures	338.5	354.8	361.2	372.7	379.9	388.6	396.9	407.8
Surplus or deficit (-) ^{2/}	-54.7	-103.5	-71.2	-71.3	-64.1	-64.5	-63.0	-64.7
High employment surplus or deficit (-)	9.2	-36.5	-4.3	-8.2	-4.1	-4.6	-2.6	-4.0
State and local government surplus or deficit (-), (N.I.A. basis)	-1.7	-1.4	-1.8	-.3	.6	.8	.3	.8
Total labor force (millions)	94.0	94.9	95.1	95.3	95.6	96.0	96.4	96.8
Armed forces "	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Civilian labor force "	91.8	92.7	92.9	93.1	93.4	93.8	94.2	94.6
Unemployment rate (per cent)	8.3	9.2	9.2	9.0	8.9	8.8	8.6	8.5
Nonfarm payroll employment (millions)	76.8	76.4	76.8	77.1	77.5	77.9	78.4	78.9
Manufacturing	18.4	18.0	18.0	18.1	18.2	18.4	18.6	18.9
Industrial production (1967 = 100)	111.6	110.2	112.6	114.5	116.9	118.8	120.7	122.6
Capacity utilization, mfg. (per cent)	68.3	67.0	67.7	68.4	69.3	69.9	70.4	71.0
Major materials (per cent)	70.5	69.0	70.5	72.2	74.0	75.2	76.0	76.8
Housing starts, private (millions, A.R.)	.99	1.10	1.33	1.50	1.55	1.60	1.65	1.65
Sales new autos (millions, A.R.)	8.31	7.60	8.10	8.88	9.65	9.69	9.98	10.50
Domestic models	6.60	6.00	6.50	7.25	8.00	8.00	8.25	8.75
Foreign models	1.71	1.60	1.60	1.63	1.65	1.69	1.73	1.75
^{1/} Net exports of g. & s. (Bal. of paymts)	12.6 ^{3/}	7.5 ^{3/}	7.0 ^{3/}	2.5 ^{3/}	.5	-.9	-.5	-.7
Exports	147.2 ^{3/}	140.2 ^{3/}	142.2 ^{3/}	145.1 ^{3/}	150.5	155.5	160.9	166.0
Imports	134.7	132.7	135.2	142.6	150.0	156.4	161.4	166.7

^{2/} 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.

^{3/} 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

	1975				Projected		1976	
	I	II	III	IV	I	II	III	IV
-----Billions of Dollars-----								
Gross National Product	-13.8	25.9	42.0	45.0	41.5	40.0	40.0	43.0
Inventory change	-37.0	7.7	2.7	5.8	7.0	4.0	1.5	1.5
Final purchases	23.2	18.2	39.3	39.2	34.5	36.0	38.5	41.5
Private	15.4	13.3	32.1	27.8	26.5	28.4	30.9	30.2
Net exports	7.4	-5.0	-.5	-4.5	-2.0	-1.4	.4	-.2
Excluding net exports	8.0	18.3	32.6	32.3	28.5	29.8	30.5	30.4
Personal consumption expenditures	17.4	20.9	27.8	25.5	21.6	22.6	23.1	23.3
Durable goods	4.2	.1	4.5	5.5	5.0	3.5	4.0	4.0
Nondurable goods	7.1	10.8	12.3	8.8	5.8	7.9	7.9	8.1
Services	6.0	10.0	11.0	11.2	10.8	11.2	11.2	11.2
Residential fixed investment	-5.1	.3	4.3	4.8	3.7	3.2	2.9	1.1
Business fixed investment	-4.3	-2.9	.5	2.0	3.2	4.0	4.5	6.0
Government	7.8	4.9	7.2	11.4	8.0	7.6	7.6	11.3
Federal	2.0	1.0	1.9	5.4	2.0	1.4	1.7	5.8
State and local	5.8	3.9	5.3	6.0	6.0	6.2	5.9	5.5
GNP in constant (1958) dollars	-23.8	.5	10.4	10.9	10.9	10.8	10.8	10.8
Final purchases	-1.2	-1.8	8.6	6.6	4.9	8.3	9.8	9.6
Private	-2.6	-2.1	8.2	8.0	7.2	8.1	9.5	9.1
-----In Per Cent Per Year ^{1/} -----								
Gross National Product	-3.8	7.5	12.2	12.7	11.3	10.6	10.3	10.8
Final purchases	6.7	5.2	11.3	10.9	9.3	9.5	10.0	10.5
Private	5.8	4.9	12.0	10.0	9.3	9.8	10.4	9.9
Personal consumption expenditures	8.0	9.5	12.4	11.0	9.0	9.3	9.3	9.1
Durable goods	14.7	.3	15.2	18.1	15.7	10.4	11.6	11.3
Nondurable goods	7.4	11.3	12.6	8.6	5.5	7.4	7.3	7.4
Services	6.4	10.7	11.5	11.4	10.6	10.8	10.5	10.2
Gross Private domestic investment	-63.2	12.8	19.1	31.9	33.0	24.1	17.8	16.4
Residential structures	-41.7	3.4	57.8	57.5	37.5	29.2	24.4	8.3
Business fixed investment	-10.9	-7.7	1.4	5.7	9.0	11.1	12.2	16.1
Gov't purchases of goods and services	10.0	6.0	8.8	13.9	9.3	8.6	8.5	12.5
Federal	6.6	3.2	6.1	17.8	6.1	4.2	5.0	17.6
Defense	3.4	.5	6.3	19.9	5.0	4.5	4.0	18.3
Other	12.4	8.9	5.7	13.6	8.3	3.6	7.1	16.3
State and local	12.2	7.8	10.5	11.7	11.3	11.4	10.5	9.6
GNP in constant (1958) dollars	-11.3	.3	5.4	5.7	5.6	5.4	5.4	5.3
Final purchases	-.6	-.9	4.4	3.3	2.4	4.2	4.9	4.7
Private	-1.6 ^{2/}	-1.3	5.2	5.0 ^{2/}	4.5 ^{2/}	4.9	5.8	5.5 ^{2/}
GNP implicit deflator	8.5 ^{2/}	7.2	6.4	6.7 ^{2/}	5.4 ^{2/}	4.9	4.7	5.5 ^{2/}
Private GNP fixed weighted index ^{3/}	7.7	7.0	6.3	5.6	5.3	4.9	4.7	4.6
Personal income	2.2	9.9	9.0	10.1	8.7	10.2	10.0	10.0
Wage and salary disbursements	-2.1	6.1	9.0	10.5	9.9	10.1	9.7	11.1
Disposable income	2.7	28.6	-2.6	8.8	7.1	9.8	9.1	9.6
Corporate profits before tax	-66.2	42.1	25.9	34.8	20.6	14.5	15.6	15.0
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	-14.0	-38.5	77.3	16.7	20.5	10.9	12.7	11.5
Expenditures	26.3	20.7	7.4	13.4	8.0	9.5	8.8	11.4
Nonfarm payroll employment	-7.7	-1.9	2.1	1.6	2.1	2.1	2.6	2.6
Manufacturing	-22.3	-8.2	.0	2.2	2.2	4.5	4.4	6.6
Industrial production	-28.4	-4.9	8.9	7.1	8.7	6.7	6.5	6.6
Housing starts, private	-3.9	51.8	113.7	61.8	14.0	13.5	13.1	.0
Sales new autos	60.9	-30.0	29.0	44.4	39.5	1.7	12.5	22.5
Domestic models	41.8	-31.7	37.7	54.8	48.3	.0	13.1	26.5
Foreign models	172.4	-23.4	.0	7.7	5.0	10.1	9.8	4.7

^{1/} Percentage rates are annual rates compounded quarterly.^{2/} Excluding Federal pay increases rates of change are: 1975-I, 8.3 per cent; 1975-IV, 5.6 per cent; 1976-I, 5.3 per cent; and 1976-IV, 4.6 per cent.^{3/} 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 ^{1/}	-.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/	-1.72/	-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.

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 ^{1/} -----								
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 ^{2/}	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	11.2	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	-21.3	-35.5	-37.1	5.9	45.5	-71.2
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

^{1/} Percentage rates are annual rates compounded quarterly.^{2/} 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 Projected	1976
Gross National Product	930.3	977.1	1054.9	1158.0	1294.9	1397.4	1468.8	1632.3
Final purchases	922.5	972.6	1048.6	1149.5	1279.6	1383.2	1479.4	1624.1
Private	712.5	753.1	814.4	893.8	1003.2	1074.0	1137.7	1248.7
Excluding net exports	710.6	749.5	814.6	899.8	999.3	1071.9	1133.5	1252.3
Personal consumption expenditures	579.5	617.6	667.1	729.0	805.2	876.7	949.2	1043.3
Durable goods	90.8	91.3	103.9	118.4	130.3	127.5	128.6	145.6
Nondurable goods	245.9	263.8	278.4	299.7	338.0	380.2	415.3	448.4
Services	242.7	262.6	284.8	310.9	336.9	369.0	405.3	449.3
Gross private domestic investment	139.0	136.3	153.7	179.3	209.4	209.4	173.8	217.1
Residential construction	32.6	31.2	42.8	54.0	57.2	46.0	38.9	52.5
Business fixed investment	98.5	100.6	104.6	116.8	136.8	149.2	145.5	156.5
Change in business inventories	7.8	4.5	6.3	8.5	15.4	14.2	-10.6	8.1
Nonfarm	7.7	4.3	4.9	7.8	11.4	11.9	-10.2	8.1
Net exports of goods and services ^{1/}	1.9	3.6	-2	-6.0	3.9	2.1	4.2	-3.6
Exports	55.5	62.9	65.4	72.4	100.4	140.2	139.9	154.4
Imports	53.6	59.3	65.6	78.4	96.4	138.1	135.7	158.0
Gov't. purchases of goods and services	210.0	219.5	234.2	255.7	276.4	309.2	341.7	375.4
Federal	98.8	96.2	97.6	104.9	106.6	116.9	129.6	140.2
Defense	78.4	74.6	71.2	74.8	74.4	78.7	86.4	93.4
Other	20.4	21.6	26.5	30.1	32.2	38.2	43.1	46.8
State & local	111.2	123.3	136.6	150.8	169.8	192.3	212.2	235.3
Gross national product in constant (1958) dollars	725.6	722.5	746.3	792.5	839.2	821.2	788.5	829.1
GNP implicit deflator (1958=100)	128.2	135.2	141.4	146.1	154.3	170.2	186.3	196.8
Personal income	750.9	808.3	864.0	944.9	1055.0	1150.5	1235.7	1354.4
Wage and salary disbursements	509.7	542.0	573.0	626.8	691.7	751.2	787.2	864.1
Disposable income	634.4	691.7	746.4	802.5	903.7	979.7	1067.1	1155.7
Personal saving	38.2	56.2	60.5	52.6	74.4	77.0	91.6	84.5
Saving rate (per cent)	6.0	8.1	8.1	6.6	8.2	7.9	8.6	7.3
Corporate profits & inventory val. adj.	79.8	69.2	78.7	92.2	105.1	105.6	104.3	134.4
Corporate profits before tax	84.9	74.0	83.6	99.2	122.7	140.7	112.7	138.1
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	197.3	192.0	198.5	227.2	258.5	291.1	281.6	329.2
Expenditures	189.2	203.9	220.3	244.7	264.2	299.1	356.8	393.3
Surplus or deficit (-)	8.1	-11.9	-21.9	-17.5	-5.6	-8.1	-75.2	-64.1
High employment surplus or deficit (-)	8.8	3.7	-4.7	-6.7	-7	19.1	-9.9	-3.9
State and local government surplus or deficit (-), (N.I.A. basis)	.7	1.8	3.4	12.3	9.2	1.8	-1.3	.6
Total labor force (millions)	84.2	85.9	86.9	89.0	91.0	93.2	94.8	96.2
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	8.9	8.7
Nonfarm payroll employment (millions)	70.4	70.9	71.2	73.7	76.8	78.3	76.8	78.2
Manufacturing	20.2	19.3	18.6	19.1	20.1	20.0	18.1	18.5
Industrial production (1967=100)	110.7	106.7	106.8	115.2	125.6	124.7	112.2	119.8
Capacity utilization, mfg. (per cent)	86.5	78.3	75.0	78.6	83.0	78.9	67.9	70.2
Major materials (per cent)	90.0	86.2	85.3	89.6	93.0	87.0	70.6	75.5
Housing starts, private (millions, A.R.)	1.47	1.43	2.05	2.36	2.05	1.34	1.23	1.61
Sales new autos (millions, A.R.)	9.57	8.40	10.24	10.93	11.44	8.87	8.22	9.96
Domestic models	8.46	7.12	8.68	9.32	9.67	7.45	6.59	8.25
Foreign models	1.11	1.28	1.56	1.61	1.77	1.42	1.64	1.71
^{1/} Net exports of g. & s. (Bal. of Paymts.)	1.3	2.9	-2	-6.0	4.42/	3.32/	7.42/	-4
Exports	55.0	62.3	65.4	72.4	101.02/	142.62/	143.72/	158.2
Imports	53.6	59.4	65.6	78.4	96.6	139.4	136.3	158.6

^{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, \$3.

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	71.4	163.5
Inventory change	.7	-3.3	1.8	2.2	6.9	-1.1	-24.8	18.7
Final purchases	65.4	50.1	76.0	100.9	130.1	103.6	96.2	144.7
Private	55.0	40.6	61.3	79.4	109.4	70.8	63.7	111.0
Net exports	-6	1.7	-3.8	-5.8	9.9	-1.8	2.1	7.8
Excluding net exports	55.6	38.9	65.1	85.5	99.5	72.6	63.7	118.8
Personal consumption expenditures	43.3	38.1	49.6	61.9	76.2	71.5	72.5	94.1
Durable goods	6.8	.5	12.6	14.5	11.9	-2.8	1.1	17.0
Nondurable goods	15.1	17.9	14.6	21.3	38.3	42.2	35.1	33.1
Services	21.4	19.9	22.2	26.1	26.0	32.1	36.3	44.0
Residential fixed investment	2.5	-1.4	11.6	11.2	3.2	-11.2	-7.1	13.6
Business fixed investment	9.7	2.1	4.0	12.5	20.0	12.4	-3.7	11.0
Government	10.4	9.5	14.7	21.5	20.7	32.8	32.5	33.7
Federal	.0	-2.6	1.4	7.3	1.7	10.3	12.7	10.6
State and local	10.4	12.1	13.3	14.2	19.0	22.5	19.9	23.1
GNP in constant (1958) dollars	19.0	-3.1	23.8	46.2	46.7	-18.0	-32.7	40.6
Final purchases	18.7	-.4	-22.5	-44.4	43.0	-15.9	-16.0	27.2
Private	20.6	6.2	18.5	46.1	45.2	-17.5	-17.8	29.9
-----Per Cent Per Year-----								
Gross National Product	7.6	5.0	8.0	9.8	11.8	7.9	5.1	11.1
Final purchases	7.6	5.4	7.8	9.6	11.3	8.1	7.0	9.8
Private	8.4	5.7	8.1	9.7	12.2	7.1	5.9	9.8
Personal consumption expenditures	8.1	6.6	8.0	9.3	10.5	8.9	8.3	9.9
Durable goods	8.1	.6	13.8	14.0	10.1	-2.1	.9	13.2
Nondurable goods	6.5	7.3	5.5	7.7	12.8	12.5	9.2	8.0
Services	9.7	8.2	8.5	9.2	8.4	9.5	9.8	10.9
Gross private domestic investment	10.3	-1.9	12.8	16.7	16.8	.0	-17.0	24.9
Residential structures	8.3	-4.3	37.2	26.2	5.9	-19.6	-15.4	35.0
Business fixed investment	10.9	2.1	4.0	11.7	17.1	9.1	-2.5	7.6
Gov't purchases of goods & services	5.2	4.5	6.7	9.2	8.1	11.9	10.5	9.9
Federal	.0	-2.6	1.5	7.5	1.6	9.7	10.9	8.2
Defense	.1	-4.8	-4.6	5.1	-5	5.8	9.8	8.1
Other	-.5	5.9	22.7	13.6	7.0	18.6	12.8	8.6
State and local	10.3	10.9	10.8	10.4	12.6	13.3	10.3	10.9
GNP in constant (1958) dollars	2.7	-.4	3.3	6.2	5.9	-2.1	-4.0	5.1
Final purchases	2.7	-.1	3.1	6.0	5.5	-1.9	-2.0	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	9.5	5.6
Private GNP fixed weighted index ^{1/}	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	9.6
Wage and salary disbursements	9.6	6.3	5.8	9.3	10.4	8.6	4.8	9.8
Disposable income	7.3	9.0	7.9	7.5	12.6	8.4	8.9	8.3
Corporate profits before tax	-3.1	-12.8	13.0	18.7	23.7	14.7	-19.9	22.5
Federal Government receipts and expenditures (N.I.A. basis)								
Receipts	12.7	-2.7	3.4	14.5	13.8	12.6	-3.3	16.9
Expenditures	4.2	7.8	8.0	11.1	8.0	13.2	19.3	10.2
Nonfarm payroll employment	3.7	.7	.4	3.5	4.2	2.0	-1.9	1.8
Manufacturing	2.0	-4.1	-4.0	2.8	5.0	-.2	-9.5	2.2
Industrial production	4.7	-3.6	.1	7.9	9.0	-.7	-10.1	6.7
Housing starts, private	-2.7	-2.3	43.2	14.9	-13.2	-34.6	-8.2	30.9
Sales new autos	-.6	-12.3	21.9	6.7	4.7	-22.5	-7.3	21.2
Domestic models	-1.8	-15.9	21.9	7.4	3.7	-23.0	-11.5	25.2
Foreign models	9.0	15.5	21.8	3.3	9.8	-20.1	15.5	4.3

^{1/} Using expenditures in 1967 as weights.

Part 2

June 11, 1975

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

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

CONFIDENTIAL (FR)

June 11, 1975

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

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

	F.R.B. Staff Estimates										
	Fiscal 1975 ^{e/}		Fiscal 1976 ^{e/}		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	-41.0	-59.9	-67.8	-10.9	-65.8	-18.0	-9.4	-15.2	-23.2	-29.4
Receipts	281.0	281.0	299.0	299.2	280.5	281.2	65.1	76.1	72.9	67.1	159.2
Outlays	323.6	322.0	358.9	367.0	291.4	347.0	83.1	85.5	88.1	90.3	188.6
Means of financing:											
Net borrowing from the public	50.8	51.1	74.0	77.6	11.8	78.5	19.4	16.9	16.4	25.8	35.4
Decrease in cash operating balance	n.a.	.5	n.a.	2.7	4.5	-.1	-.7	-2.1	2.4	.3	--
Off-budget deficit (-) ^{1/}	n.a.	-13.3	-14.2 ^{2/}	-14.2	-3.6	-16.5	-5.3	-6.3	-1.4	-3.5	-9.3
Other ^{3/}	n.a.	2.7	n.a.	1.7	-1.7	3.9	4.6	.9	-2.2	.6	3.3
Cash operating balance, end of period	n.a.	8.7	n.a.	6.0	5.9	6.0	6.6	8.7	6.3	6.0	6.0
Memo: Sponsored agency borrowing ^{4/}	n.a.	10.9	n.a.	n.e.	16.6	1.9	.1	-.2	.9	1.1	n.e.
Seasonally adjusted annual rates											
National Income Sector											
Surplus/deficit	n.a.	-46.8 ^{5/}	n.a.	-68.7 ^{5/}	-8.1	-75.2	-54.7	-103.5	-71.2	-71.3	-64.3
Receipts	n.a. ^{2/}	282.6 ^{5/}	n.a. ^{2/}	306.9 ^{5/}	291.1	281.6	283.8	251.3	290.0	301.4	320.0
Expenditures	330.9 ^{2/}	329.3	371.4 ^{2/}	375.6	299.1	356.8	338.5	354.8	361.2	372.7	384.3
High Employment surplus/deficit (NIA basis) ^{6/7/}	n.a.	3.8	n.a.	-5.3	19.1	-9.9	9.2	-36.5	-4.3	-8.2	-4.4
*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.											

11 - 19
Table 11

Table 11
11-19

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

	QI ^e	QII ^e	May ^e	June ^f	July ^f
<u>Gross offerings</u>					
Corporate securities					
Total	4,867	5,145	5,335	5,375	4,600
Publicly-offered bonds	3,489	3,417	3,700	3,600	3,100
Privately-placed bonds	675	717	650	750	600
Stocks	703	1,010	985	1,025	900
Foreign securities ^{1/}	365	375	500	400	350
State and local government securities					
Long-term	2,253	1,427	2,450	2,500	2,200
Short-term	2,554	3,281	3,700	3,200	3,000
<u>Net offerings</u>					
U.S. Treasury ^{2/}	6,484	5,633	8,100	1,300	8,000
Sponsored Federal agencies	40	-78	-1,610	766	601

^{1/} Includes issues of foreign private and official institutions.

^{2/} Total Treasury issues, including Federal Financing Bank.

e - Estimated

f - Forecasted.

Economic Activity and Prospects in Major Foreign Industrial Countries

In practically all the major industrial countries, the fall in output which began in late 1973 or early 1974 has been continuing through the second quarter of this year, according to data now available. The impact of this recession on the OECD countries as a group has been intensified by a very high rate of inflation, which has cut into real income and savings. In addition, restrictive actions taken in various countries to combat inflation have contributed to a deepening of the recession.

Industrial Production in Major Industrial Countries
(Percentage change from preceding period, seasonally adjusted)

	1974				1975				
	Q1	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.	Apr.
Canada	2.4	-0.9	-1.2	-1.3	-2.8	-2.3	0.9	-0.8	
France	3.0	0.3	1.1	-6.6	-3.1	0.9	0.0	-3.4	
Germany	0.0	-0.6	-2.1	-3.0	-3.1	1.0	0.0	0.0	-1.9 ^e
United Kingdom ^{1/}	-5.5	4.2	0.8	-2.9	-0.4	2.0	0.6	-0.9	
Italy	2.4	-0.7	-2.5	-7.5	-1.7	1.9	1.9	-8.1	9.6
Japan ^{2/}	-2.0	-2.0	-3.3	-7.8	-7.7	-4.2	-0.6	1.5	0.5
United States ^{2/}	-1.7	0.5	0.1	-3.3	-8.0	-3.1	-2.2	-1.3	-0.4

e - FRB staff estimate

^{1/} All Industries

^{2/} Mining, Manufacturing and Utilities

Sources: National sources; Italian data seasonally adjusted by Federal Reserve Staff. Data relate to all industries excluding construction, except as indicated in notes.