

**CONFIDENTIAL (FR)**

# **CURRENT ECONOMIC and FINANCIAL CONDITIONS**

**Prepared for the  
Federal Open Market Committee**

*By the Staff*

BOARD OF GOVERNORS  
OF THE FEDERAL RESERVE SYSTEM

December 6, 1967

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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  | 1966<br>Proj.<br>IV | 1967  |       |        | 1968        |            |
|--|-------|-------|---------------------|-------|-------|--------|-------------|------------|
|  |       |       |                     | I     | II    | III    | Proj.<br>IV | Proj.<br>I |
| Gross National Product   | 743.3 | 785.2 | 762.1               | 766.3 | 775.1 | 791.2  | 808.0       | 827.5      |
| Final sales  | 729.9 | 781.3 | 743.6               | 759.2 | 774.6 | 787.4  | 804.0       | 820.2      |
| Private purchases  | 575.6 | 604.6 | 581.9               | 588.8 | 599.6 | 609.2  | 620.6       | 634.2      |
| Personal consumption expenditures                              | 465.9 | 492.2 | 473.8               | 480.2 | 489.7 | 495.3  | 503.5       | 513.5      |
| Durable goods  | 70.3  | 72.0  | 70.6                | 69.4  | 72.5  | 72.7   | 73.5        | 76.3       |
| Nondurable goods   | 207.5 | 218.0 | 210.3               | 214.2 | 217.2 | 218.5  | 222.2       | 225.7      |
| Services   | 188.1 | 202.1 | 192.9               | 196.6 | 200.0 | 204.1  | 207.8       | 211.5      |
| Gross private domestic investment                              | 118.0 | 110.8 | 122.2               | 110.4 | 105.1 | 112.2  | 115.6       | 122.5      |
| Residential construction                                       | 24.4  | 24.5  | 20.9                | 21.4  | 23.1  | 25.6   | 27.8        | 28.4       |
| Business fixed investment                                      | 80.2  | 82.5  | 82.8                | 81.9  | 81.5  | 82.8   | 83.8        | 86.8       |
| Change in business inventories                                 | 13.4  | 3.9   | 18.5                | 7.1   | .5    | 3.8    | 4.0         | 7.3        |
| Nonfarm  | 13.7  | 3.7   | 19.0                | 7.3   | .6    | 3.4    | 3.5         | 6.8        |
| Net Exports  | 5.1   | 5.4   | 4.3                 | 5.3   | 5.3   | 5.4    | 5.5         | 5.5        |
| Gov't purchases of goods & services                            | 154.3 | 176.8 | 161.7               | 170.4 | 175.0 | 178.2  | 183.4       | 186.0      |
| Federal  | 77.0  | 90.4  | 81.5                | 87.1  | 89.5  | 90.9   | 93.9        | 94.7       |
| Defense  | 60.5  | 72.8  | 65.6                | 70.2  | 72.5  | 73.3   | 75.0        | 75.5       |
| Other  | 16.5  | 17.6  | 15.9                | 16.8  | 17.0  | 17.6   | 18.9        | 19.2       |
| State and local  | 77.2  | 86.4  | 80.2                | 83.3  | 85.4  | 87.4   | 89.5        | 91.3       |
| Gross National Product in constant<br>(1958) dollars           | 652.6 | 669.4 | 661.1               | 660.7 | 664.7 | 672.0  | 680.0       | 690.7      |
| GNP Implicit deflator (1958-100)                               | 113.9 | 117.3 | 115.3               | 116.0 | 116.6 | 117.7  | 118.8       | 119.8      |
| Personal income  | 584.0 | 626.5 | 601.6               | 612.9 | 619.1 | 631.0  | 643.0       | 656.0      |
| Wage and salaries  | 394.6 | 423.7 | 407.4               | 414.7 | 418.3 | 426.2  | 435.5       | 446.2      |
| Disposable income  | 508.8 | 544.6 | 522.0               | 532.7 | 540.0 | 548.2  | 557.5       | 568.1      |
| Personal saving  | 29.8  | 38.2  | 34.6                | 38.8  | 36.0  | 38.5   | 39.5        | 39.9       |
| Saving rate (per cent)   | 5.9   | 7.0   | 6.6                 | 7.3   | 6.7   | 7.0    | 7.1         | 7.0        |
| Corporate profits before tax                                   | 83.8  | 80.1  | 83.9                | 79.0  | 78.9  | 80.1p  | 82.5        | 84.5       |
| Federal government receipts and<br>expenditures (N.I.A. basis) |       |       |                     |       |       |        |             |            |
| Receipts   | 143.2 | 151.7 | 148.6               | 149.1 | 148.1 | 152.8p | 156.6       | 162.2      |
| Expenditures   | 142.9 | 164.5 | 151.9               | 160.9 | 162.8 | 165.9  | 168.3       | 168.8      |
| Surplus or deficit (-)   | .3    | -12.9 | -3.3                | -11.9 | -14.7 | -13.1p | -11.7       | -6.6       |
| Total labor force (millions)                                   | 78.9  | 80.8  | 79.8                | 80.3  | 80.2  | 81.1   | 81.6        | 82.0       |
| Armed forces "   | 3.1   | 3.5   | 3.3                 | 3.4   | 3.5   | 3.5    | 3.5         | 3.5        |
| Civilian labor force "   | 75.8  | 77.3  | 76.5                | 76.9  | 76.7  | 77.7   | 78.1        | 78.5       |
| Unemployment rate (per cent)                                   | 3.8   | 3.9   | 3.7                 | 3.7   | 3.8   | 3.9    | 4.0         | 3.8        |
| Nonfarm payroll employment (millions)                          | 64.0  | 66.0  | 65.0                | 65.7  | 65.7  | 66.1   | 66.5        | 67.1       |
| Manufacturing  | 19.2  | 19.3  | 19.5                | 19.5  | 19.3  | 19.2   | 19.3        | 19.5       |
| Industrial production (1957-59=100)                            | 156.3 | 156.9 | 159.3               | 157.1 | 155.9 | 157.2  | 157.3       | 160.5      |
| Capacity utilization, manufacturing<br>(per cent)              | 90.5  | 84.7  | 89.8                | 87.0  | 84.8  | 83.8   | 83.1        | 83.7       |
| Housing starts, private (millions A. R.)                       | 1.17  | 1.30  | .92                 | 1.12  | 1.21  | 1.40   | 1.46        | 1.47       |
| Sales new U.S.-made autos (millions,<br>A. R.)                 | 8.38  | 7.69  | 8.13                | 7.33  | 7.83  | 8.00   | 7.6         | 8.5        |

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

|  | 1966  | 1967 | 1966<br>Proj. | 1967  |       |       |             | 1968       |  |
|--|-------|------|---------------|-------|-------|-------|-------------|------------|--|
|  |       |      |               | I     | II    | III   | Proj.<br>IV | Proj.<br>I |  |
| ----- In Billions of Dollars -----                             |       |      |               |       |       |       |             |            |  |
| Gross National Product   | 59.4  | 41.9 | 13.3          | 4.2   | 8.8   | 16.1  | 16.8        | 19.5       |  |
| Final sales  | 55.4  | 51.4 | 6.2           | 15.6  | 15.4  | 12.8  | 16.6        | 16.2       |  |
| Private purchases  | 37.5  | 29.0 | 2.2           | 6.9   | 10.8  | 9.6   | 11.4        | 3.6        |  |
| GNP in constant (1958) dollars                                 | 35.9  | 16.8 | 6.3           | -.4   | 4.0   | 7.3   | 8.1         | 10.6       |  |
| Final sales  | 32.1  | 26.0 | -0.3          | 10.1  | 10.3  | 4.2   | 8.4         | 8.3        |  |
| Private purchases  | 21.9  | 11.4 | -2.8          | 3.7   | 7.1   | 3.0   | 5.8         | 7.9        |  |
| ----- In Per Cent; Quarterly Changes are at Annual Rates ----- |       |      |               |       |       |       |             |            |  |
| Gross National Product   | 8.7   | 5.6  | 7.1           | 2.2   | 4.6   | 8.3   | 8.5         | 9.7        |  |
| Final sales  | 8.2   | 7.0  | 3.4           | 8.4   | 8.1   | 6.6   | 8.4         | 8.1        |  |
| Private purchases  | 7.0   | 5.0  | 1.5           | 4.7   | 7.3   | 6.4   | 7.5         | 8.8        |  |
| Personal consumption expenditures                              | 7.6   | 5.6  | 3.1           | 5.4   | 7.9   | 4.6   | 6.6         | 7.9        |  |
| Durable goods  | 6.5   | 2.4  | -1.7          | -6.8  | 17.9  | 1.1   | 4.4         | 15.2       |  |
| Nondurable goods   | 8.5   | 5.1  | 1.5           | 7.4   | 5.6   | 2.4   | 6.8         | 6.3        |  |
| Services   | 6.9   | 7.4  | 6.5           | 7.7   | 6.9   | 8.2   | 7.2         | 7.1        |  |
| Gross private domestic investment                              | 9.9   | -6.1 | 19.9          | -38.6 | -19.2 | 27.0  | 12.1        | 22.9       |  |
| Residential construction                                       | -9.6  | 0.4  | -47.3         | 9.6   | 31.8  | 43.3  | 34.4        | 8.6        |  |
| Business fixed investment                                      | 12.8  | 2.9  | 7.9           | -4.3  | -2.0  | 6.4   | 4.8         | 14.3       |  |
| Gov't purchases of goods & services                            | 13.1  | 14.6 | 10.1          | 21.5  | 10.8  | 7.3   | 11.7        | 5.7        |  |
| Federal  | 15.3  | 17.4 | 10.1          | 27.5  | 11.0  | 6.3   | 13.2        | 3.4        |  |
| Defense  | 20.8  | 20.3 | 16.5          | 28.0  | 13.1  | 4.4   | 9.3         | 2.7        |  |
| Other  | -1.2  | 6.7  | -16.9         | 22.6  | 4.8   | 14.1  | 29.5        | 6.3        |  |
| State & local  | 10.9  | 11.9 | 10.8          | 15.5  | 10.1  | 9.4   | 9.6         | 8.0        |  |
| GNP in constant (1958) dollars                                 | 5.8   | 2.6  | 3.8           | -.2   | 2.4   | 4.4   | 4.8         | 6.2        |  |
| Final sales  | 5.3   | 4.1  | -0.2          | 6.3   | 6.3   | 2.5   | 5.0         | 4.9        |  |
| Private purchases  | 4.4   | 2.2  | -2.2          | 2.9   | 5.5   | 2.3   | 4.4         | 5.9        |  |
| GNP Implicit deflator  | 2.7   | 3.0  | 3.1           | 2.4   | 2.1   | 3.8   | 3.7         | 3.5        |  |
| Personal income  | 8.6   | 7.3  | 8.3           | 7.5   | 4.0   | 7.7   | 7.6         | 8.1        |  |
| Wage and salaries  | 9.9   | 7.4  | 7.8           | 7.2   | 3.5   | 7.6   | 8.7         | 9.8        |  |
| Disposable income  | 7.8   | 7.0  | 7.5           | 8.2   | 5.5   | 6.1   | 6.8         | 7.6        |  |
| Corporate profits before tax                                   | 9.5   | -4.4 | -.5           | -23.4 | -0.5  | 6.1p  | 12.0        | 9.7        |  |
| Federal government receipts and expenditures (N.I.A. basis)    |       |      |               |       |       |       |             |            |  |
| Receipts   | 14.7  | 5.9  | 8.2           | 1.3   | -2.7  | 12.7p | 9.9         | 14.3       |  |
| Expenditures   | 15.8  | 15.1 | 15.3          | 23.7  | 4.7   | 7.6   | 5.8         | 1.2        |  |
| Nonfarm payroll employment                                     | 5.3   | 3.1  | 4.4           | 4.3   | 0.0   | 2.4   | 2.4         | 3.6        |  |
| Manufacturing  | 6.1   | 0.5  | 4.1           | 0.0   | -4.1  | -2.1  | 2.1         | 4.1        |  |
| Industrial production  | 9.0   | .4   | 4.1           | -5.5  | -3.1  | 3.3   | .3          | 8.1        |  |
| Housing starts, private  | -20.4 | 11.1 | -59.3         | 87.0  | 32.1  | 62.8  | 17.1        | 2.7        |  |
| Sales new U.S.-made autos                                      | -4.4  | -8.2 | -15.8         | -39.6 | 27.3  | 8.7   | -20.0       | 47.4       |  |

VARIOUS FEDERAL BUDGETS  
(In billions of dollars)

|  | 1966  |       | 1967  |       |       |       | 1968  |        | FY 1967                      | Fiscal Year 1968            |  |
|--|-------|-------|-------|-------|-------|-------|-------|--------|------------------------------|-----------------------------|--|
|  | III   | IV    | I     | II    | III   | IVe   | Ie    | Actual | January Budget <sup>3/</sup> | Summer Review <sup>4/</sup> |  |
| <u>Quarterly data, unadjusted</u>                          |       |       |       |       |       |       |       |        |                              |                             |  |
| Cash surplus/deficit (-)                                   | - 6.7 | - 7.7 | 1.4   | 11.3  | - 9.2 | -11.1 | - 5.0 | - 1.8  | - 4.3                        | -11.5                       |  |
| Cash receipts  | 34.6  | 31.1  | 38.0  | 49.8  | 35.9  | 32.0  | 37.6  | 153.5  | 168.1                        | 164.0                       |  |
| Cash payments  | 41.3  | 38.8  | 36.7  | 38.6  | 45.1  | 43.1  | 42.6  | 155.3  | 172.4                        | 175.5                       |  |
| Change in total cash balance                               | - 4.1 | - 2.5 | .7    | 1.2   | .3    | - 2.5 | 1.2   | - 4.7  | --                           | --                          |  |
| Net Cash borrowing (+)                                     | 2.4   | 5.1   | -.9   | -10.3 | 9.3   | 8.4   | 5.0   | - 3.8  | 3.8                          | 11.0                        |  |
| (Pool sales to public) <u>1/</u>                           | - .5  | --    | 1.1   | 1.8   | --    | .7    | 2.0   | 2.9    | 5.0                          | 5.0                         |  |
| <u>Seasonally adjusted annual rate</u>                     |       |       |       |       |       |       |       |        |                              |                             |  |
| Federal surplus/deficit (-)<br>in national income accounts | - .7  | - 3.3 | -11.9 | -14.7 | -13.1 | -11.6 | - 6.6 | - 7.7  | - 2.1                        | - 6.4                       |  |
| Receipts   | 145.6 | 148.6 | 149.1 | 148.1 | 152.8 | 156.6 | 162.2 | 147.9  | 167.1                        | 164.0                       |  |
| Expenditures   | 146.3 | 151.9 | 160.9 | 162.8 | 165.9 | 168.3 | 168.8 | 155.5  | 169.2                        | 170.4                       |  |
| High employment surplus/<br>deficit (-) <u>2/</u>          | - .4  | - 3.3 | -10.5 | -13.0 | -12.2 | -11.0 | - 5.9 | - 6.8  |                              |                             |  |

e - Staff projections. Based on existing tax rates.

1/ Not included in net cash borrowing.

2/ Uses 1966 IVQ as a high employment base.

3/ Includes tax legislation proposed in January 1967 estimated to raise \$5.8 billion in fiscal 1968.

4/ The President's tax increase proposals were projected to produce \$7.4 billion of additional revenues in fiscal 1968, assuming a 10 per cent surcharge effective July 1, 1967, for corporations, and October 1, 1967, for individuals. Figures also assume lowest expenditure totals considered possible by the Administration.