

## Part 1

February 12, 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)

February 12, 1975

**SUMMARY AND OUTLOOK**

By the Staff  
Board of Governors  
of the Federal Reserve System

---

## **SUMMARY AND OUTLOOK**

---

## STAFF GNP PROJECTIONS

	Changes in nominal GNP (\$ billions)	Per cent change, annual rate							
		Real GNP		Gross private product fixed weighted price index		Unemployment rate (per cent)			
		1/15/75	2/12/75	1/15/75	2/12/75	1/15/75	2/12/75	1/15/75	2/12/75
1971 1/	77.8	77.8	3.3	3.3	4.3	4.3	5.9	5.9	
1972 1/	103.1	103.1	6.2	6.2	3.3	3.3	5.6	5.6	
1973 1/	136.9	136.9	5.9	5.9	6.3	6.3	4.9	4.9	
1974 1/	100.8	101.8	-2.1	-2.2	11.4	11.4	5.6	5.6	
1975	79.7	55.8	-3.1	-4.5	8.9	8.8	8.0	9.2	
1973-III 1/	31.0	31.0	1.6	1.6	8.4	8.4	4.7	4.8	
IV 1/	35.1	35.1	2.3	2.3	9.1	9.1	4.7	4.8	
1974-I 1/	14.8	14.8	-7.0	-7.0	14.1	14.1	5.2	5.2	
II 1/	25.0	25.0	-1.6	-1.6	12.3	12.3	5.1	5.1	
III 1/	32.5	32.5	-1.9	-1.9	13.8	13.8	5.5	5.5	
IV 1/	7.7	11.7	-9.0	-9.1	10.4	12.0	6.5	6.6	
1975-I	9.0	-14.5	-5.2	-10.5	7.9	7.0	7.6	8.5	
II	17.3	9.5	-2.1	-3.6	7.2	6.5	8.0	9.2	
III	37.4	40.5	3.6	5.1	6.9	6.5	8.2	9.5	
IV	42.8	46.5	5.0	6.5	6.1	5.8	8.1	9.3	
1976-I	38.0	38.0	4.2	4.5	5.8	5.5	8.1	9.3	
II	32.1	36.0	2.8	4.0	5.6	5.4	8.2	9.3	
Change:									
73-IV to 74-IV	80.0	84.0	-4.9	-5.0	12.5	12.9	1.8	1.8	
74-II to 75-II	66.5	39.2	-4.6	-6.3	9.6	9.6	2.9	4.1	
74-IV to 75-IV	106.5	82.0	.2	-.9	7.0	6.4	1.6	2.7	
75-II to 76-II	150.3	161.0	3.9	5.0	6.1	5.8	.2	.1	

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.)

	1974		1975 Proj.				1976 Proj.	
	III	IV	I	II	III	IV	I	II
Gross National Product	1416.3	1428.0	1413.5	1423.0	1463.5	1510.0	1548.0	1584.0
Final purchases	1407.6	1413.5	1423.0	1438.0	1473.5	1512.5	1545.5	1578.5
Private	1095.3	1091.1	1093.1	1102.4	1131.9	1161.4	1186.6	1212.4
Excluding net exports	1098.4	1089.9	1094.0	1104.5	1134.5	1166.2	1194.0	1220.5
Personal consumption expenditures	901.3	896.8	907.1	916.5	941.0	964.2	984.0	1003.3
Durable goods	136.1	121.5	120.5	118.0	123.0	128.0	132.0	135.0
Nondurable goods	389.0	391.5	396.0	401.1	411.6	421.2	428.5	436.3
Services	376.2	383.8	390.6	397.4	406.4	415.0	423.5	432.0
Gross private domestic investment	205.8	207.6	177.4	173.0	183.5	199.5	212.5	222.7
Residential construction	46.2	40.5	36.9	40.2	44.5	49.8	54.5	58.2
Business fixed investment	150.9	152.7	150.0	147.8	149.0	152.2	155.5	159.0
Change in business inventories	8.7	14.4	-9.5	-15.0	-10.0	-2.5	2.5	5.5
Nonfarm	6.6	13.8	-8.0	-14.0	-9.5	-2.5	2.5	5.5
Net exports of goods and services <sup>1/</sup>	-3.1	1.2	-.9	-2.1	-2.6	-4.8	-7.4	-8.1
Exports	143.6	144.3	130.4	126.9	128.4	132.9	137.5	144.5
Imports	146.7	143.2	131.3	129.0	131.0	137.7	144.9	152.9
Gov't. purchases of goods and services	312.3	322.4	329.9	335.6	341.6	351.1	358.9	366.1
Federal	117.2	122.8	125.3	126.7	128.2	133.4	135.8	137.7
Defense	78.4	83.5	84.0	84.5	85.7	89.5	91.0	92.5
Other	38.8	39.3	41.3	42.2	42.5	43.9	44.8	45.2
State & local	195.1	199.6	204.6	208.9	213.4	217.7	223.1	228.4
Gross national product in constant (1958) dollars	823.1	803.7	781.7	774.7	784.3	796.8	805.7	813.7
GNP implicit deflator (1958 = 100)	172.1	177.7	180.8	183.7	186.6	189.5	192.1	194.7
Personal income	1168.2	1186.4	1194.8	1211.9	1239.7	1264.8	1288.2	1313.8
Wage and salary disbursements	763.0	768.8	763.8	771.5	783.5	799.5	816.4	833.4
Disposable income	993.1	1008.7	1015.6	1046.6	1088.8	1092.6	1102.0	1122.3
Personal saving	65.5	85.4	82.0	103.4	120.7	100.8	89.9	90.3
Saving rate (per cent)	6.6	8.5	8.1	9.9	11.1	9.2	8.2	8.0
Corporate profits & inventory val. adj.	105.8	102.6	87.3	81.3	98.3	114.6	120.6	126.4
Corporate profits before tax	157.0	132.4	114.5	105.5	118.5	130.0	133.0	137.0
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	302.8	295.5	286.5	269.9	260.3	286.8	306.0	314.0
Expenditures	304.7	317.3	335.5	344.2	355.5	366.2	372.9	378.1
Surplus or deficit (-)	-1.9	-21.8	-49.0	-74.3	-95.2	-79.4	-66.9	-64.1
High employment surplus or deficit (-)	27.7	19.4	8.3	-8.3	-25.6	-16.0	-5.7	-1.8
State and local government surplus or deficit (-), (N.I.A. basis)	2.1	-.7	-4.1	-5.7	-6.8	-3.6	-2.3	-2.0
Total labor force (millions)	93.6	94.0	94.3	94.5	94.6	94.7	94.8	95.1
Armed forces "	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Civilian labor force "	91.4	91.8	92.1	92.3	92.4	92.5	92.6	92.9
Unemployment rate (per cent)	5.5	6.6	8.5	9.2	9.5	9.3	9.3	9.3
Nonfarm payroll employment (millions)	78.7	78.3	76.8	76.2	76.0	76.2	76.3	76.7
Manufacturing	20.1	19.6	18.1	17.6	17.5	17.5	17.6	17.7
Industrial production (1967 = 100)	125.4	121.5	111.0	109.2	111.0	113.5	115.4	116.9
Capacity utilization, mfg. (per cent)	79.4	75.8	68.7	67.0	67.6	68.6	69.2	69.6
Major materials (per cent)	88.5	79.4	70.5	68.7	69.6	70.2	71.2	71.8
Housing starts, private (millions, A.R.)	1.21	.99	1.05	1.25	1.50	1.70	1.80	1.75
Sales new autos (millions, A.R.)	10.07	7.38	8.40	7.65	8.25	9.00	9.50	9.50
Domestic models	8.52	6.05	6.90	6.25	6.75	7.50	8.00	8.00
Foreign models	1.55	1.33	1.50	1.40	1.50	1.50	1.50	1.50

<sup>1/</sup> Net exports of g. & s. (Bal. of Paymts.) -1.3 <sup>3/</sup> .8 <sup>3/</sup> -1.2 <sup>3/</sup> -2.3 <sup>3/</sup> -2.9 -5.0 -7.6 -8.4  
 Exports 146.4 <sup>3/</sup> 152.5 <sup>3/</sup> 138.7 <sup>3/</sup> 135.1 <sup>3/</sup> 136.6 141.2 145.8 152.7  
 Imports 147.7 151.7 139.9 137.4 139.5 146.2 153.4 161.1

<sup>2/</sup> Federal government N.I.A. receipts are reduced by \$16.0 billion, annual rate, in 1975-II and III to reflect the \$8.0 billion rebate of 1974 individual income taxes and by \$18.8 billion, annual rate, in 1975-III and IV to effect the \$8.4 billion reduction in 1975 individual income taxes in those quarters. (In 1976-I and following quarters revenues are reduced \$10.0 billion by the continuing tax cut.)

<sup>3/</sup> Includes shipments of military equipment and supplies to Israel which are not included in GNP exports; amounts billions of dollars are: 1974-IV. \$4; 1975-I and II \$.3.

February 12, 1975

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1974		1975				1976	
	III	IV	Projection		III	IV	I	II
			I	II				
-----Billions of Dollars-----								
Gross National Product	32.5	11.7	-14.5	9.5	40.5	46.5	38.0	36.0
Inventory change	-4.8	5.9	-23.9	-5.5	5.0	7.5	5.0	3.0
Final purchases	37.3	35.9	9.5	15.0	35.5	39.0	33.0	33.0
Private	29.4	-4.2	2.0	9.3	29.5	29.5	25.2	25.8
Net exports	-1.6	4.3	-2.1	-1.2	-.5	-2.2	-2.6	-.7
Excluding net exports	31.0	-8.5	4.1	10.5	30.0	31.7	27.8	26.5
Personal consumption expenditures	32.2	-4.5	10.3	9.4	24.5	23.2	19.8	19.3
Durable goods	6.6	-14.6	-1.0	-2.5	5.0	5.0	4.0	3.0
Nondurable goods	13.2	2.5	4.5	5.1	10.5	9.6	7.3	7.8
Services	12.4	7.6	6.8	6.8	9.0	8.6	8.5	8.5
Residential fixed investment	-2.6	-5.7	-3.6	3.3	4.3	5.3	4.7	3.7
Business fixed investment	1.5	1.8	-2.7	-2.2	1.2	3.2	3.3	3.5
Government	7.9	10.1	7.5	5.7	6.0	9.5	7.8	7.2
Federal	2.9	5.6	2.5	1.4	1.5	5.2	2.4	1.9
State and local	5.0	4.5	5.0	4.3	4.5	4.3	5.4	5.3
GNP in constant (1958) dollars	-4.0	-19.4	-22.0	-7.0	9.6	12.5	8.9	8.0
Final purchases	-.8	-23.5	-7.3	-4.2	8.2	9.1	5.3	6.4
Private	-.9	-23.4	-8.7	-4.6	7.8	8.7	6.1	6.3
1/ -----In Per Cent Per Year-----								
Gross National Product	9.7	3.3	-4.0	2.7	11.9	13.3	10.5	9.6
Final purchases	11.3	1.7	2.7	4.3	10.2	11.0	9.0	8.8
Private	11.5	-1.5	.7	3.4	11.1	10.8	9.0	9.0
Personal consumption expenditures	15.7	-2.0	4.7	4.2	11.1	10.2	8.5	8.1
Durable goods	22.0	-36.5	-3.3	-8.0	18.1	17.3	13.1	9.4
Nondurable goods	14.8	2.6	4.7	5.3	10.9	9.7	7.1	7.5
Services	14.3	8.3	7.3	7.1	9.4	8.7	8.4	8.3
Gross private domestic investment	-10.9	3.5	-46.7	-9.6	26.6	39.7	28.7	20.6
Residential structures	-19.7	-40.9	-31.1	40.9	50.2	56.8	43.4	30.0
Business fixed investment	4.1	4.9	-6.9	-5.7	3.3	8.9	9.0	9.3
Gov't. purchases of goods and services	10.8	13.6	9.6	7.1	7.3	11.6	9.2	8.3
Federal	10.5	20.5	8.4	4.5	4.8	17.2	7.4	5.7
Defense	9.7	28.7	2.4	2.4	5.8	19.0	6.9	6.8
Other	12.2	5.3	22.0	9.0	2.9	13.8	8.5	3.6
State and local	10.9	9.5	10.4	8.7	8.9	8.3	10.3	9.8
GNP in constant (1958) dollars	-1.9	-9.1	-10.5	-3.6	5.1	6.5	4.5	4.0
Final purchases	-.4	-11.0	-3.6	-2.1	4.3	4.6	2.7	3.2
Private	-.5	-13.2	-5.3	-2.9	5.0	5.5	3.8	3.9
GNP implicit deflator	11.9	13.7 <sup>2/</sup>	7.3 <sup>2/</sup>	6.5	6.5	6.4 <sup>2/</sup>	5.7 <sup>2/</sup>	5.4
Private GNP fixed weighted index 3/	13.8	12.0	7.0	6.5	6.5	5.8	5.5	5.4
Personal income	12.4	6.4	2.9	5.8	9.5	8.3	7.6	8.2
Wage and salary disbursements	9.9	3.1	-2.6	4.1	6.4	8.4	8.7	8.6
Disposable income	11.5	6.4	2.8	12.8	17.1	1.4	3.5	7.6
Corporate profits before tax	62.8	-49.4	-44.1	-27.9	59.2	44.8	9.6	12.6
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	21.2	-9.3	-11.6	-21.2	-13.5	47.4	29.6	10.9
Expenditures	19.2	17.6	25.0	10.8	13.8	12.6	7.5	5.7
Nonfarm payroll employment	1.7	-1.7	-7.4	-3.1	-1.0	1.1	.5	2.1
Manufacturing	-.6	-10.3	-27.1	-10.6	-2.3	.0	2.3	2.3
Industrial production								
Housing starts, private	-64.7	-54.9	27.0	100.9	107.4	65.0	25.7	-10.7
Sales new autos	43.5	-71.2	68.0	-31.2	35.3	41.6	24.1	.0
Domestic models	31.7	-74.6	69.5	-32.7	36.0	52.4	29.5	.0
Foreign models	138.3	-46.0	61.8	-24.1	31.8	.0	.0	.0

<sup>1/</sup> Percentage rates are annual rates compounded quarterly.<sup>2/</sup> Excluding Federal pay increases rates of change are: 1974-IV, 13.0 per cent; 1975-I, 7.1 per cent; 1975-IV, 5.7 per cent; and 1976-I, 5.5 per cent.<sup>3/</sup> Using expenditures in 1967 as weights.

CONFIDENTIAL - FR

February 12, 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.)

	1972		1973				1974	
	III	IV	I	II	III	IV	I	II
Gross National Product	1169.3	1204.7	1248.9	1277.9	1308.9	1344.0	1358.8	1383.8
Final purchases	1159.1	1193.7	1238.9	1267.2	1297.0	1315.1	1341.9	1370.3
Private	904.0	931.1	969.9	993.9	1020.1	1028.7	1045.6	1065.9
Excluding net exports	908.8	936.4	970.7	993.4	1013.4	1019.4	1034.3	1067.4
Personal consumption expenditures	736.8	757.2	781.7	799.0	816.3	823.9	840.6	869.1
Durable goods	121.2	124.3	132.4	132.1	132.4	124.3	123.9	129.5
Nondurable goods	302.0	310.9	323.3	332.7	343.8	352.1	364.4	375.8
Services	313.6	322.0	325.9	334.2	340.1	347.4	352.4	363.8
Gross private domestic investment	182.1	190.2	199.0	205.1	209.0	224.5	210.5	211.8
Residential construction	54.5	56.7	58.5	58.7	58.1	53.6	48.4	48.8
Business fixed investment	117.5	122.5	130.5	135.6	139.0	141.9	145.2	149.4
Change in business inventories	10.2	11.0	10.0	10.7	11.8	28.9	16.9	13.5
Nonfarm	9.6	10.4	6.5	7.7	7.4	24.0	13.1	10.4
Net exports of goods and services <sup>1/</sup>	-4.8	-5.3	-.8	.5	6.7	9.3	11.3	-1.5
Exports	73.3	78.5	88.8	95.4	103.7	113.6	131.2	138.5
Imports	78.1	83.8	89.5	94.9	96.9	104.3	119.9	140.0
Gov't. purchases of goods and services	255.1	262.6	269.0	273.3	276.9	286.4	296.3	304.4
Federal	102.7	105.2	106.4	106.2	105.3	108.4	111.5	114.3
Defense	72.6	74.7	75.0	74.0	73.3	75.3	75.8	76.6
Other	30.1	30.5	31.4	32.2	32.0	33.1	35.7	37.7
State & local	152.4	157.4	162.6	167.1	171.6	177.9	184.8	190.1
Gross national product in constant (1958) dollars	798.1	814.2	832.8	837.4	840.8	845.7	830.5	827.1
GNP implicit deflator (1958 = 100)	146.5	148.0	150.0	152.6	155.7	158.9	163.6	167.3
Personal income	950.3	985.0	1013.6	1039.2	1068.0	1099.3	1112.5	1134.6
Wage and salary disbursements	631.4	647.5	667.6	683.8	698.2	717.0	727.6	745.2
Disposable income	807.2	838.1	869.5	892.1	913.9	939.4	950.6	966.5
Personal saving	49.3	58.9	65.3	69.6	73.2	89.3	84.4	71.5
Saving rate (per cent)	6.1	7.0	7.5	7.8	8.0	9.5	8.9	7.4
Corporate profits & inventory val. adj.	92.9	99.8	103.9	105.0	105.2	106.4	107.7	105.6
Corporate profits before tax	100.2	108.2	120.4	124.9	122.7	122.7	135.4	139.0
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	228.4	235.6	249.1	255.0	261.8	268.3	278.1	288.6
Expenditures	238.2	261.2	260.2	262.4	263.4	270.6	281.0	291.6
Surplus or deficit (-)	-9.8	-25.6	-11.2	-7.4	-1.7	-2.3	-2.8	-3.0
High employment surplus or deficit (-)	1.5	-17.3	-.9.4	-4.6	4.0	5.6	15.0	21.0
State and local government surplus or deficit (-), (N.I.A. basis)	9.2	19.1	13.2	10.4	8.4	4.6	3.2	2.0
Total labor force (millions)	89.3	89.6	90.0	90.8	91.3	92.1	92.7	92.9
Armed forces "	2.4	2.4	2.4	2.3	2.3	2.3	2.3	2.2
Civilian labor force "	86.9	87.1	87.6	88.5	89.0	89.8	90.5	90.6
Unemployment rate (per cent)	5.6	5.3	5.0	4.9	4.8	4.8	5.2	5.1
Nonfarm payroll employment (millions)	74.0	74.9	75.8	76.5	77.1	77.8	78.0	78.3
Manufacturing	17.5	19.5	19.8	20.0	20.1	20.3	20.2	20.2
Industrial production (1967 = 100)	116.3	120.2	123.1	124.8	126.7	127.0	124.9	125.5
Capacity utilization, mfg. (per cent)	79.4	81.5	82.8	83.3	83.3	82.6	80.5	80.1
Major materials (per cent)	90.6	92.3	93.0	93.4	93.5	92.3	90.2	90.2
Housing starts, private (millions, A.R.)	2.36	2.39	2.39	2.21	2.01	1.58	1.63	1.57
Sales new autos (millions, A.R.)	11.21	11.68	12.18	12.03	11.33	10.15	9.04	9.20
Domestic models	9.59	9.90	10.26	10.17	9.66	8.51	7.49	7.95
Foreign models	1.61	1.78	1.92	1.85	1.67	1.64	1.55	1.25
1/ Net exports of g. & s. (Bal. of Paymts.)	-4.8	-5.3	-.7	.5	6.6	11.22/	11.62/	-.72/
Exports	73.3	78.5	88.8	95.4	103.7	116.02/	132.62/	140.82/
Imports	78.1	83.8	89.5	94.9	97.1	104.8	121.0	141.5

<sup>2/</sup> 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, \$.3.

February 12, 1975

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1972		1973				1974	
	III	IV	I.	II	III	IV	I	II
-----Billions of Dollars-----								
Gross National Product	26.3	35.4	44.2	29.0	31.0	35.1	14.8	25.0
Inventory change	2.2	.8	-1.0	.7	1.1	17.1	-12.0	-3.4
Final purchases	24.0	34.6	45.2	28.3	29.8	18.1	26.8	28.4
Private	22.7	27.1	38.8	24.0	26.2	8.6	16.9	20.3
Net exports	2.1	-.5	4.5	1.3	6.2	2.6	2.0	-12.8
Excluding net exports	20.6	27.6	34.3	22.7	20.0	6.0	14.9	33.1
Personal consumption expenditures	16.2	20.4	24.5	17.3	17.3	7.6	16.7	28.5
Durable goods	5.0	3.1	8.1	-.3	-.3	-8.1	-.4	5.6
Nondurable goods	4.6	8.9	12.4	9.4	11.1	8.3	12.3	11.4
Services	6.6	8.4	3.9	8.3	5.9	7.3	5.0	11.4
Residential fixed investment	1.6	2.2	1.8	.2	-.6	-4.5	-5.2	.4
Business fixed investment	2.8	5.0	8.0	5.1	3.4	2.9	3.3	4.2
Government	1.3	7.5	6.4	4.3	3.6	9.5	9.9	8.1
Federal	-3.2	2.5	1.2	-.2	-.9	3.1	3.1	2.8
State and local	4.5	5.0	5.2	4.5	4.5	6.3	6.9	5.3
GNP in constant (1958) dollars	11.5	16.1	18.6	4.6	3.4	4.9	-15.2	-3.4
Final purchases	9.7	15.6	20.2	4.1	3.1	-7.0	-5.8	-1.0
Private	11.7	14.4	19.1	4.3	3.3	-9.0	-6.1	-.8
-----In Per Cent Per Year-----								
1/								
Gross National Product	9.5	12.7	15.5	9.6	10.1	11.2	4.5	7.6
Final purchases	8.7	12.5	16.0	9.5	9.7	5.7	8.4	8.7
Private	10.7	12.5	17.7	10.3	11.0	3.4	6.7	8.0
Personal consumption expenditures	9.3	11.5	13.6	9.2	8.9	3.8	8.4	14.3
Durable goods	18.4	10.6	28.7	-.9	.9	-22.3	-1.3	19.3
Nondurable goods	6.3	12.3	16.9	12.1	14.0	10.0	14.7	13.1
Services	8.9	11.2	4.9	10.6	7.3	8.9	5.9	13.6
Gross private domestic investment	15.9	19.0	19.8	12.8	7.8	33.1	-22.7	2.5
Residential structures	12.7	17.2	13.3	1.4	-4.0	-27.6	-33.5	3.3
Business fixed investment	10.1	18.1	28.8	16.6	10.4	8.6	9.6	12.1
Gov't. purchases of goods and services	2.1	12.3	10.1	6.5	5.4	14.4	14.6	11.4
Federal	-11.5	10.1	4.6	-.7	-3.3	12.3	11.9	10.4
Defense	-16.3	12.1	1.6	-5.2	-3.7	11.4	2.7	4.3
Other	1.3	5.4	12.3	10.6	-2.5	14.5	35.3	24.4
State and local	12.7	13.8	13.9	11.5	11.2	15.5	16.4	12.0
GNP in constant (1958) dollars	6.0	8.3	9.5	2.2	1.6	2.4	-7.0	-1.6
Final purchases	5.1	8.1	10.4	2.0	1.5	-3.3	-2.8	-.5
Private	7.6	9.2	12.0	2.5	1.9	-5.1	-3.5	-.5
GNP implicit deflator	3.3	4.1	5.5	7.3	8.3	8.6	12.3	9.4
Private GNP fixed weighted index 2/	3.6	3.8	7.4	8.1	8.4	9.1	14.1	12.3
Personal income	8.6	15.4	12.1	10.5	11.6	12.2	4.9	8.2
Wage and salary disbursements	7.5	10.6	13.0	10.1	8.7	11.2	6.0	10.0
Disposable income	9.0	16.2	15.8	10.8	10.1	11.6	4.9	6.9
Corporate profits before tax	18.7	36.0	53.3	15.8	-6.9	.0	48.3	11.1
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	7.9	13.2	25.0	9.8	11.1	10.3	15.4	16.0
Expenditures	-8.7	44.6	-1.5	3.4	1.5	11.4	16.3	16.0
Nonfarm payroll employment	3.6	4.8	5.0	3.9	3.0	3.8	1.0	1.6
Manufacturing	3.3	7.3	6.3	4.4	2.1	3.7	-2.4	-.3
Industrial production	9.1	14.1	10.0	5.6	6.2	1.0	-6.5	1.9
Housing starts, private	15.4	4.7	1.0	-27.0	-32.0	-61.4	11.6	-14.4
Sales new autos	22.2	17.9	18.3	-5.0	-21.3	-35.5	-37.1	7.4
Domestic models	20.8	13.4	15.4	-3.5	-18.6	-39.8	-40.0	27.1
Foreign models	30.9	48.0	35.4	-12.9	-35.0	-5.9	-20.0	-57.8

1/ Percentage rates are annual rates compounded quarterly.

2/ Using expenditures in 1967 as weights.

CONFIDENTIAL - FR

February 12, 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.)

	1969	1970	1971	1972	1973	1974	1975 Proj.
Gross National Product	930.3	977.1	1054.9	1158.0	1294.9	1396.7	1452.5
Final purchases	922.5	972.6	1048.6	1149.5	1279.6	1383.3	1461.8
Private	712.5	753.1	814.4	893.8	1003.2	1074.5	1122.2
Excluding net exports	710.6	749.5	814.6	899.8	999.3	1072.5	1124.8
Personal consumption expenditures	579.5	617.6	667.1	729.0	805.2	877.0	932.2
Durable goods	90.8	91.3	103.9	118.4	130.3	127.8	122.4
Nondurable goods	245.9	263.8	278.4	299.7	338.0	380.2	407.5
Services	242.7	262.6	284.8	310.9	336.9	369.1	402.4
Gross private domestic investment	139.0	136.3	153.7	179.3	209.4	208.9	183.4
Residential construction	32.6	31.2	42.8	54.0	57.2	46.0	42.9
Business fixed investment	98.5	100.6	104.6	116.8	136.8	149.6	149.8
Change in business inventories	7.8	4.5	6.3	8.5	15.4	13.4	-9.3
Nonfarm	7.7	4.3	4.9	7.8	11.4	11.0	-8.5
Net exports of goods and services 1/	1.9	3.6	- .2	-6.0	3.9	2.0	-2.6
Exports	55.5	62.9	65.4	72.4	100.4	139.4	129.7
Imports	53.6	59.3	65.6	78.4	96.4	137.5	132.3
Gov't. purchases of goods and services	210.0	219.5	234.2	255.7	276.4	308.8	339.6
Federal	98.8	96.2	97.6	104.9	106.6	116.4	128.4
Defense	78.4	74.6	71.2	74.8	74.4	78.6	85.9
Other	20.4	21.6	26.5	30.1	32.2	37.9	42.5
State & local	111.2	123.3	136.6	150.8	169.8	192.4	211.2
Gross national product in constant (1958) dollars	725.6	722.5	746.3	792.5	839.2	821.1	784.4
GNP implicit deflator (1958 = 100)	128.2	135.2	141.4	146.1	154.3	170.1	185.2
Personal income	750.9	808.3	864.0	944.9	1055.0	1150.4	1227.8
Wage and salary disbursements	509.7	542.0	573.0	626.8	691.7	751.1	779.6
Disposable income	634.4	691.7	746.4	802.5	903.7	979.7	1060.9
Personal saving	38.2	56.2	60.5	52.6	74.4	76.7	101.7
Saving rate (per cent)	6.0	8.1	8.1	6.6	8.2	7.8	9.6
Corporate profits & inventory val. adj.	79.8	69.2	78.7	92.2	105.1	105.4	95.4
Corporate profits before tax	84.9	74.0	83.6	99.2	122.7	141.0	117.1
Federal government receipts and expenditures, (N.I.A. basis)							
Receipts	197.3	192.0	198.5	227.2	258.5	291.1	275.9
Expenditures	189.2	203.9	220.3	244.7	264.2	298.6	350.4
Surplus or deficit (-)	8.1	-11.9	-21.9	-17.5	-5.6	-7.6	-74.5
High employment surplus or deficit (-)	8.8	6.2	2.6	-4.6	-1.1	20.8	-10.4
State and local government surplus or deficit (-), (N.I.A. basis)	.7	1.8	3.4	12.3	9.2	1.7	-5.1
Total labor force (millions)	84.2	85.9	86.9	89.0	91.0	93.2	94.5
Armed forces "	3.5	3.2	2.8	2.4	2.3	2.2	2.2
Civilian labor force "	80.7	82.7	84.1	86.5	88.7	91.0	92.3
Unemployment rate (per cent)	3.5	4.9	5.9	5.6	4.9	5.6	9.1
Nonfarm payroll employment (millions)	70.4	70.9	71.2	73.7	76.8	78.3	76.3
Manufacturing	20.2	19.3	18.6	19.1	20.1	20.0	17.7
Industrial production (1967 = 100)	110.7	106.7	106.8	115.2	125.6	124.3	111.2
Capacity utilization, mfg. (per cent)	86.5	78.3	75.0	78.6	83.0	79.0	68.0
Major materials (per cent)	90.0	86.2	85.3	89.6	93.0	87.1	69.8
Housing starts, private (millions, A.R.)	1.47	1.43	2.05	2.36	2.05	1.34	1.38
Sales new autos (millions, A.R.)	9.57	8.40	10.24	10.93	11.44	8.87	8.33
Domestic models	8.46	7.12	8.68	9.32	9.67	7.45	6.85
Foreign models	1.11	1.28	1.56	1.61	1.77	1.42	1.48
1/ Net exports of g. & s. (Bal. of Paymts.)	1.3	2.9	- .2	-6.0	4.4 2/	2.6 2/	-2.9 2/
Exports	55.0	62.3	65.4	72.4	101.0 2/	143.0 2/	137.9 2/
Imports	53.6	59.4	65.6	78.4	96.6	140.4	140.8

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, \$.150.

CONFIDENTIAL - FR

I - 12

February 12, 1975

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1969	1970	1971	1972	1973	1974	Proj. 1975
-----Billions of Dollars-----							
Gross National Product	66.1	46.8	77.8	103.1	136.9	101.8	55.8
Inventory change	.7	-3.3	1.8	2.2	6.9	-2.0	-22.7
Final purchases	65.4	50.1	76.0	100.9	130.1	103.7	78.5
Private	55.0	40.6	61.3	79.4	109.4	71.3	47.7
Net exports	-.6	1.7	-3.8	-5.8	9.9	-1.9	-4.6
Excluding net exports	55.6	38.9	65.1	85.2	99.5	73.2	52.3
Personal consumption expenditures	43.3	38.1	49.6	61.9	76.2	71.8	55.2
Durable goods	6.8	.5	12.6	14.5	11.9	-2.5	-5.4
Non durable goods	15.1	17.9	14.6	21.3	38.3	42.2	27.3
Services	21.4	19.9	22.2	26.1	26.0	32.2	33.3
Residential fixed investment	2.5	-1.4	11.6	11.2	3.2	-11.2	-3.1
Business fixed investment	9.7	2.1	4.0	12.2	20.0	12.8	.2
Government	10.4	9.5	14.7	21.5	20.7	32.4	30.8
Federal	.0	-2.6	1.4	7.3	1.7	9.8	12.0
State and local	10.4	12.1	13.3	14.2	19.0	22.6	18.8
GNP in constant (1958) dollars	19.0	-3.1	23.8	46.2	46.7	-18.1	-36.7
Final purchases	18.7	-.4	-22.5	-44.4	43.0	-15.5	-22.4
Private	20.6	6.2	18.5	46.1	45.2	-17.0	-24.4
-----Per Cent per Year <sup>1/</sup> -----							
Gross National Product	7.6	5.0	8.0	9.8	11.8	7.9	4.0
Final purchases	7.6	5.4	7.8	9.6	11.3	8.1	5.7
Private	8.4	5.7	8.1	9.7	12.2	7.1	4.4
Personal consumption expenditures	8.1	6.6	8.0	9.3	10.5	8.9	6.3
Durable goods	8.1	.6	13.8	14.0	10.1	-1.9	-4.2
Non durable goods	6.5	7.3	5.5	7.7	12.8	12.5	7.2
Services	9.7	8.2	8.5	9.2	8.4	9.6	9.0
Gross private domestic investment	10.3	-1.9	12.8	16.7	16.8	-.2	-12.2
Residential structures	8.3	-4.3	37.2	26.2	5.9	-19.6	-6.7
Business fixed investment	10.9	2.1	4.0	11.7	17.1	9.4	.1
Gov't purchases of goods & services	5.2	4.5	6.7	9.2	8.1	11.7	10.0
Federal	.0	-2.6	1.5	7.5	1.6	9.2	10.3
Defense	.1	-4.8	-4.6	5.1	-.5	5.6	9.3
Other	-.5	5.9	22.7	13.6	7.0	17.7	12.1
State and local	10.3	10.9	10.8	10.4	12.6	13.3	9.8
GNP in constant (1958) dollars	2.7	-.4	3.3	6.2	5.9	-2.2	-4.5
Final purchases	2.7	-.1	3.1	6.0	5.5	-1.9	-2.8
Private	3.7	1.1	3.9	6.7	6.5	-2.5	-3.7
GNP implicit deflator	4.8	5.5	4.6	3.4	5.6	10.2	8.9
Private GNP fixed weighted index <sup>2/</sup>	4.7	4.8	4.3	3.3	6.3	11.4	8.8
Personal income	9.0	7.6	6.9	9.4	11.7	9.0	6.7
Wage and salary disbursements	9.6	6.3	5.8	9.3	10.4	8.6	3.8
Disposable income	7.3	9.0	7.9	7.5	12.6	8.4	8.3
Corporate profits before tax	-3.1	-12.8	13.0	18.7	23.7	14.9	-17.0
Federal Government receipts and expenditures (N.I.A. basis)							
Receipts	12.7	-2.7	3.4	14.5	13.8	12.6	-5.2
Expenditures	4.2	7.8	8.0	11.1	8.0	13.0	17.3
Nonfarm payroll employment	3.7	.7	.4	3.5	4.2	2.0	-2.6
Manufacturing	2.0	-4.1	-4.0	2.8	5.0	-.5	-11.5
Industrial production	4.7	-3.6	.1	7.9	9.0	-1.0	-10.6
Housing starts, private	-2.7	-2.3	43.2	14.9	-13.2	-34.7	3.3
Sales new autos	-.6	-12.3	21.9	6.7	4.7	-22.5	-6.0
Domestic models	-1.8	-15.9	21.9	7.4	3.7	-23.0	-8.0
Foreign models	9.0	15.5	21.8	3.3	9.8	-20.1	4.5

<sup>1/</sup> Percentage rates are annual rates compounded quarterly

<sup>2/</sup> Using expenditures in 1967 as weights.

## **Part 2**

### **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)

February 12, 1975

**CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

**By the Staff  
Board of Governors  
of the Federal Reserve System**

TABLE 9  
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					
	Budget Document	F.R. Board	Budget Document	F.R. Board	1974 Actual	1975 F.R.B. e/	1974 IV*	I	II	III	IV	
<b>Federal Budget</b>												
Surplus/deficit	-34.7	-37.0	-51.9	-77.7	-10.9	-65.0	-12.0	-17.8	-5.7	-18.5	-23.0	
Receipts	278.8	280.1	297.5	278.9	280.5	269.5	66.8	64.2	76.0	65.5	63.8	
Outlays	313.4	317.1	349.4	356.6	291.4	334.5	78.9	82.0	81.7	84.0	86.8	
Means of financing.												
Net borrowing from the public	43.5	47.2	63.5	87.2	11.8	79.7	10.3	18.5	13.9	21.1	26.2	
Decrease in cash operating balance	3.12/	3.2	-.42/	--	4.5	.9	2.8	1.4	-1.5	1.0	--	
Other 1/	-11.92/	-13.4	-11.22/	-9.5	-5.4	-15.7	-1.1	-2.1	-6.8	-3.6	-3.2	
Cash operating balance, end of period	6.0 <sup>2/</sup>	6.0	6.4 <sup>2/</sup>	6.0	5.9	5.0	5.9	4.5	6.0	5.0	5.0	
Memo: Sponsored agency borrowing 3/	14.0	12.3	7.8	n.e.	7.7	n.e.	3.4	.1	1.1	n.e.	n.e.	
<b>National Income Sector</b>												
Surplus/deficit	-36.1	-37.8 <sup>4/</sup>	-55.9	-77.3 <sup>4/</sup>	-7.4e/	-74.5	-21.8e/	-49.0	-74.3	-95.2	-79.4	
Receipts	287.6	288.1 <sup>4/</sup>	305.1	290.9 <sup>4/</sup>	291.3e/	275.9	295.5e/	286.5	269.9	260.3	286.8	
Expenditures	323.7	325.9	361.0	368.2	298.6	350.4	317.3	335.5	344.2	355.5	366.2	
<b>High Employment surplus/deficit (NIA basis) 2/5/</b>												
	n.a.	11.8	n.a.	-12.3	20.8	-10.4	19.4	8.3	-8.3	-25.6	-16.0	

\* Actual                    e--projected                    n.e.--not estimated                    n.a.--not available                    p--preliminary  
1/ Outlays of off-budget Federal agencies, checks issued less checks paid, accrued items, and other transactions.  
2/ Estimated by F.R. Board Staff.  
3/ 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.  
4/ 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.  
5/ As discussed in a footnote in the text, 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)

	1974		1975			<u>Gross offerings</u>
	<u>Yeare/</u>	<u>QIII</u>	<u>QIVe/</u>	<u>Jan.e/</u>	<u>Feb.f/</u>	
<b>Corporate securities:</b>						
Total	3,159	2,504	3,981	5,255	3,870	4,575
Public bonds	2,112	1,675	2,874	3,657	2,500	3,000
Privately placed bonds	513	397	506	900	800	1,000
Stocks	534	432	601	698	570	575
<b>State and local gov't securities</b>						
Long-term	1,894	1,400	1,958	2,050	2,000	2,300
Short-term	2,454	2,383	2,474	2,100	2,300	2,600
<u>Net offerings, total</u>						
U.S. Treasury <sup>1/</sup>	982 <sup>2/</sup>	1,499	3,433 <sup>2/</sup>	3,600	3,200	11,700
Sponsored Federal agencies	1,399	2,552	1,133	567	-1,206	482

e/ Estimated.

f/ Forecast.

1/ Includes Federal Financing Bank.

2/ Actual.

TABLE I

MAJOR FISCAL INDICATORS  
(Fiscal Years)

	1973	1974	1975e	1976e
<u>Unified budget</u>				
Receipts	232.2	264.9	278.8	297.5
Outlays	246.5	268.4	313.4	349.4
Deficit (-)	-14.3	-3.5	-34.7	-51.9
<u>NIA budget</u>				
Receipts	243.3	273.6	287.6	305.1
Expenditures	255.1	278.3	323.7	361.0
Deficit (-)	-11.8	-4.7	-36.1	-55.9
<u>Per cent increase in</u>				
Receipts:				
Budget	11.3	14.1	5.2	6.7
NIA	13.9	12.5	5.1	6.1
Outlays:				
Budget	6.3	8.9	16.7	11.5
NIA	9.4	9.1	16.3	11.5
<u>Full employment budget</u>				
Receipts	243.0	282.0	323	352
Outlays	245.0	267.0	306	340
Surplus Deficit (-)	2	15	17	12
<u>Per cent increase in</u>				
Receipts				
	5.2	16.0	14.5	8.9
Outlays				
	9.6	8.9	14.6	11.1

It might be noted that this year's budget document has several new features, which are mandated by the Congressional Budget and Control Act of 1974. Briefly, these include the following:

- (a) An explicit 5-year projection of receipts and outlays together with projections of income and other economic conditions which underline these budget figures.
- (b) Separate budget estimates for the 3rd quarter of calendar year 76, the quarter designated for transition to the new fiscal year that will run from October 1 to September 30.
- (c) Tax expenditure budget estimates--data showing revenue losses resulting from various provisions of the law which provide for preferential tax treatment of specified activities.

#### Expenditure Estimates

Underlying the President's outlay projections are some important programmatic assumptions. Apart from an increase in defense spending and an expansion of outlays embodied in the President's energy program, the budget contains no new expenditure initiatives. Indeed, a moratorium on new spending programs is proposed. In addition, the budget proposes a 5 per cent ceiling on Federal pay increase, as well as on other programs such as social security and military retirement pay that are tied to movements in the Consumer Price Index. Furthermore, a variety of other actions designed to reduce spending are also proposed as summarized in Table II. It should be stressed that the great bulk of these reductions require Congressional action.

TABLE II  
Proposed Budget Reductions  
(\$ billions)

	Effect on Outlays	
	1975	1976
Action proposed last year that are still pending	-3.0	-8.1
New actions proposed in current Budget	<u>-.3</u>	<u>-8.9</u>
Total	-3.3	-17.0
Of which		
Rescissions 1/	-.5	-.8
Deferrals 1/	-.7	-1.8
New Legislation	-1.2	-12.3
Administrative Action	-.8	-2.1

1/ Under the provision of the Congressional Budget and Impoundment Control Act of 1974 rescissions require a Congressional vote of concurrence, and deferrals can be overturned.

TABLE III  
BUDGET OUTLAY BY FUNCTION  
(\$ billion)

	1974	1975e	1976e	74-75	75-76	Change In \$ billion	Per cent of increase
National defense and international affairs	<u>86.3</u>	<u>94.3</u>	<u>104.9</u>	<u>8.0</u>	<u>10.6</u>	<u>17.7</u>	<u>29.4</u>
National defense	78.6	85.2	94.0	6.6	8.8	14.7	24.4
International affairs	3.6	4.9	6.3	1.3	1.4	2.9	3.9
General science space and technology	4.1	4.2	4.6	.1	.4	.2	1.1
Human resources	<u>131.5</u>	<u>163.4</u>	<u>177.0</u>	<u>31.9</u>	<u>13.6</u>	<u>70.8</u>	<u>37.7</u>
Income security	84.4	106.7	118.7	22.3	12.0	49.6	33.2
Health	22.1	26.5	28.1	4.4	1.6	9.8	4.4
Education manpower social services	11.6	14.7	14.6	3.1	-.1	6.8	-.2
Veterans benefits and services	13.4	15.5	15.6	2.1	.1	4.7	.3
Physical resources	<u>26.6</u>	<u>27.7</u>	<u>31.4</u>	<u>1.1</u>	<u>3.7</u>	<u>2.4</u>	<u>10.3</u>
Agriculture	2.2	1.7	1.8	-.5	.1	-1.1	.3
Natural resources and environment	6.4	9.4	10.0	3.0	.6	6.6	1.7
Commerce and transportation	13.1	11.8	13.7	-1.3	1.9	-2.9	5.3
Community and regional development	4.9	4.8	5.9	-.1	1.1	-.2	3.0
Revenue sharing	<u>6.7</u>	<u>7.0</u>	<u>7.2</u>	<u>.3</u>	<u>.2</u>	<u>.6</u>	<u>.5</u>
Other <u>1/</u>	<u>17.1</u>	<u>20.8</u>	<u>28.8</u>	<u>3.7</u>	<u>8.0</u>	<u>8.2</u>	<u>22.2</u>
Total Budget Outlays	<u>268.2</u>	<u>313.2</u>	<u>349.3</u>	<u>45.0</u>	<u>36.1</u>	<u>100%</u>	<u>100%</u>

1/ This includes energy tax equalization payments of \$.5 billion for 1975 and \$7.0 billion for 1976.

TABLE IV  
CHANGES IN BUDGET RECEIPTS  
(In billions of dollars)

	1974 Actual	1975 Estimate	1976 Estimate
Total receipts under existing legislation	264.9	283.8	303.6
Changes due to tax proposals:			
Energy-related proposals:			
Excise tax and import fee on oil and excise tax on natural gas	--	+4.3	+19.0
Windfall profits tax	--	--	+16.3
Individual income tax reductions:			
Increase in minimum standard deduction	--	-0.6	-8.1
Changes in rate structure	--	-0.8	-16.3
Residential energy conservation credit	--	--	-0.5
Corporation income tax rate reduction	--	-1.8	-6.6
Subtotal, energy related <sup>1/</sup>	--	+1.1	+3.8
Economic stimulus tax proposals:			
Temporary investment tax credit of 12%:			
Individual	--	-0.2	-0.6
Corporation	--	-1.0	-2.3
Individual income tax rebate of 12% on calendar year 1974 liability	--	-4.9	-7.3
Subtotal, economic stimulus	--	-6.1	-10.2
Other:			
Write-off of silver certificates	--	--	+0.2
Other	--	--	+0.1
Total receipts from existing and proposed legislation	264.9	278.8	297.5

<sup>1/</sup> Does not include energy equalization payments which show up on the outlay side.