

Part 1

May 14, 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)

May 14, 1975

SUMMARY AND OUTLOOK

By the Staff
Board of Governors
of the Federal Reserve System

SUMMARY AND OUTLOOK

STAFF GNP PROJECTIONS

	<u>Per cent change, annual rate</u>							
	Changes in nominal GNP (\$ billions)		Gross private product fixed weighted price index				Unemployment rate (per cent)	
			Real GNP					
	<u>4/9/75</u>	<u>5/14/75</u>	<u>4/9/75</u>	<u>5/14/75</u>	<u>4/9/75</u>	<u>5/14/75</u>	<u>4/9/75</u>	<u>5/14/75</u>
1971 <u>1/</u>	77.8	77.8	3.3	3.3	4.3	4.3	5.9	5.9
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	65.9	65.8	-3.9	-4.1	9.3	9.3	9.0	9.1
1973-III <u>1/</u>	31.0	31.0	1.6	1.6	8.4	8.4	4.8	4.8
IV <u>1/</u>	35.1	35.1	2.3	2.3	9.1	9.1	4.8	4.8
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>	-15.4	-11.7	-11.2	-10.4	8.1	7.6	8.3	8.3
II	20.0	19.8	- .7	-1.2	6.7	6.8	9.1	9.2
III	42.5	37.0	6.5	4.6	5.5	5.7	9.3	9.4
IV	46.0	42.5	6.8	5.7	5.2	5.3	9.2	9.3
1976-I	37.0	39.5	4.9	5.6	4.8	4.8	9.0	9.1
II	35.5	35.0	4.7	4.6	4.5	4.5	9.0	9.1
Change:								
73-IV to								
74-IV	86.9	86.9	-4.9	-4.9	13.0	13.0	1.8	1.8
74-II to								
75-II	51.7	55.2	-5.8	-5.7	10.4	10.4	4.0	4.1
74-IV to								
75-IV	93.1	87.6	.3	- .5	6.6	6.6	2.6	2.7
75-II to								
76-II	161.0	154.0	5.7	5.1	5.0	5.1	- .1	- .1
1/ Actual.								

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		1p	1975			1976	
	III	IV		II	III	IV	I	II
Gross National Product	1416.3	1430.9	1419.2	1439.0	1476.0	1518.5	1558.0	1593.0
Final purchases	1407.6	1413.1	1437.1	1450.5	1484.8	1522.5	1555.5	1588.0
Private	1095.3	1089.3	1104.3	1112.5	1141.0	1168.2	1193.2	1217.9
Excluding net exports	1098.4	1087.4	1098.9	1113.1	1145.0	1175.8	1201.9	1227.8
Personal consumption expenditures	901.3	895.8	916.3	934.7	961.3	985.2	1005.3	1025.5
Durable goods	136.1	120.7	125.5	125.5	130.5	136.0	140.0	142.5
Nondurable goods	389.0	391.7	399.3	408.7	420.5	429.4	436.3	444.7
Services	376.2	383.5	391.5	400.5	410.3	419.8	429.0	438.3
Gross private domestic investment	205.8	209.4	164.6	166.9	174.9	186.6	199.1	207.3
Residential construction	46.2	40.4	35.2	35.6	39.9	44.8	48.3	51.0
Business fixed investment	150.9	151.2	147.4	142.8	143.8	145.8	148.3	151.3
Change in business inventories	8.7	17.8	-18.0	-11.5	-8.8	-4.0	2.5	5.0
Nonfarm	6.6	17.5	-16.6	-10.5	-8.5	-5.0	2.5	5.0
Net exports of goods and services ^{1/}	-3.1	1.9	5.4	-6	-4.0	-7.6	-8.7	-9.9
Exports	143.6	147.5	143.5	135.9	136.3	139.4	144.9	150.2
Imports	146.7	145.7	138.1	136.5	140.3	147.0	153.6	160.1
Gov't. purchases of goods and services	312.3	323.8	332.8	338.0	343.8	354.3	362.3	370.1
Federal	117.2	124.5	127.7	129.0	129.6	134.3	136.4	138.0
Defense	78.4	84.0	85.2	85.7	85.9	89.3	90.4	91.6
Other	38.8	40.6	42.5	43.3	43.7	45.0	46.0	46.4
State & local	195.1	199.3	205.1	209.0	214.2	220.0	225.9	232.1
Gross national product in constant (1958) dollars	823.1	804.0	782.3	779.9	788.8	799.8	810.8	819.9
GNP implicit deflator (1958=100)	172.1	178.0	181.4	184.5	187.1	189.9	192.2	194.3
Personal income	1168.2	1186.9	1193.0	1220.3	1246.2	1274.3	1300.6	1328.9
Wage and salary disbursements	763.0	769.2	764.9	775.7	791.5	808.8	828.2	845.6
Disposable income	993.1	1008.8	1017.4	1082.6	1074.7	1095.7	1112.6	1134.6
Personal saving	65.5	86.5	74.8	122.0	87.2	83.9	80.3	81.6
Saving rate (per cent)	6.6	8.6	7.4	11.3	8.1	7.7	7.2	7.2
Corporate profits & inventory val. adj.	105.8	103.4	93.1	93.1	100.9	111.5	116.8	121.9
Corporate profits before tax	157.0	131.5	99.3	101.5	106.5	116.5	120.5	125.0
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts ^{2/}	302.8	294.7	277.0	241.0	277.7	289.6	305.5	314.6
Expenditures	304.7	319.3	338.0	354.7	360.7	371.6	378.6	386.7
Surplus or deficit (-) ^{2/}	-1.9	-24.5	-61.0	-113.7	-83.0	-82.0	-73.1	-72.1
High employment surplus or deficit (-)	24.7	17.8	9.7	-36.9	-5.9	-9.8	-5.9	-6.2
State and local government surplus or deficit (-), (N.I.A. basis)	2.1	-.1	-2.4	-2.0	-1.4	-.1	.5	-.2
Total labor force (millions)	93.6	94.0	94.0	94.5	94.7	94.8	94.9	95.2
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	91.8	92.3	92.5	92.6	92.7	93.0
Unemployment rate (per cent)	5.5	6.6	8.3	9.2	9.4	9.3	9.1	9.1
Nonfarm payroll employment (millions)	78.7	78.3	76.8	76.2	76.1	76.2	76.5	77.0
Manufacturing	20.1	19.6	18.4	17.8	17.7	17.8	17.9	18.1
Industrial production (1967 = 100)	125.4	121.3	111.6	110.1	112.2	114.5	117.1	119.0
Capacity utilization, mfg. (per cent)	79.4	75.7	68.2	67.0	67.7	68.5	69.5	70.0
Major materials (per cent)	88.5	79.1	70.5	70.2	71.4	72.9	74.4	75.2
Housing starts, private (millions, A.R.)	1.21	1.00	.99	1.10	1.33	1.50	1.55	1.50
Sales new autos (millions, A.R.)	10.07	7.38	8.31	7.60	8.25	9.00	9.50	9.50
Domestic models	8.52	6.05	6.60	6.00	6.65	7.40	7.90	7.90
Foreign models	1.55	1.33	1.71	1.60	1.60	1.60	1.60	1.60
^{1/} Net exports of g. & s. (Bal. of paymts)	-1.3 ^{3/}	3.3 ^{3/}	11.6 ^{3/}	5.6 ^{3/}	2.2	-1.4	-2.5	-3.7
Exports	146.8 ^{3/}	151.1 ^{3/}	148.8 ^{3/}	141.2 ^{3/}	141.6	144.7	150.2	155.5
Imports	148.1	147.8	137.2	135.6	139.4	146.1	152.7	159.2

^{2/} Federal government N.I.A. receipts are reduced to reflect the \$8.1 billion rebate of 1974 individual income taxes and \$9.3 billion reduction in 1975 individual income taxes in those quarters. This latter reduction enacted only for 1975, is assumed to be continued in 1976.

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

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1974			1975			1976	
	III	IV	Ip	II	III	IV	I	II
	-----Billions of Dollars-----							
Gross National Product	32.5	14.6	-11.7	19.8	37.0	42.5	39.5	35.0
Inventory change	-4.8	9.1	-35.8	6.5	2.7	4.8	6.5	2.5
Final purchases	37.3	5.5	24.0	13.4	34.3	37.7	33.0	32.5
Private	29.4	-6.0	15.0	8.2	28.5	27.2	25.0	24.7
Net exports	-1.6	5.0	3.5	-6.0	-3.4	-3.6	-1.1	-1.2
Excluding net exports	31.0	-11.0	11.5	14.2	31.9	30.8	26.1	25.9
Personal consumption expenditures	32.2	-5.5	20.5	18.4	26.6	23.9	20.1	20.2
Durable goods	6.6	-15.4	4.8	.0	5.0	5.5	4.0	2.5
Nondurable goods	13.2	2.7	7.6	9.4	11.8	8.9	6.9	8.4
Services	12.4	7.3	8.0	9.0	9.8	9.5	9.2	9.3
Residential fixed investment	-2.6	-5.8	-5.2	.4	4.3	4.9	3.5	2.7
Business fixed investment	1.5	.3	-3.8	-4.6	1.0	2.0	2.5	3.0
Government	7.9	11.5	9.0	5.2	5.8	10.5	8.0	7.8
Federal	2.9	7.3	3.2	1.3	.6	4.7	2.1	1.6
State and local	5.0	4.2	5.8	3.9	5.2	5.8	5.9	6.2
GNP in constant (1958) dollars	-4.0	-19.1	-21.7	-2.4	8.9	11.0	11.0	9.1
Final purchases	-.8	-25.0	.2	-4.1	6.5	7.7	6.1	7.1
Private	-.9	-25.4	-1.8	-4.5	6.7	8.1	7.1	6.6
	-----In Per Cent Per Year ^{1/} -----							
Gross National Product	9.7	4.2	-3.2	5.7	10.7	12.0	10.8	9.3
Final purchases	11.3	1.6	7.0	3.8	9.8	10.6	9.0	8.6
Private	11.5	-2.2	5.6	3.0	10.6	9.9	8.8	8.5
Personal consumption expenditures	15.7	-2.4	9.5	8.3	11.9	10.3	8.4	8.3
Durable goods	22.0	-38.1	16.9	.0	16.9	18.0	12.3	7.3
Nondurable goods	14.8	2.8	8.0	9.8	12.1	8.7	6.6	7.9
Services	14.3	8.0	8.6	9.5	10.2	9.6	9.1	9.0
Gross private domestic investment	-10.9	7.2	-61.8	5.7	20.6	29.6	29.6	17.5
Residential structures	-19.7	-41.5	-42.4	4.6	57.8	58.9	35.1	24.3
Business fixed investment	4.1	.8	-9.7	-11.9	2.8	5.7	7.0	8.3
Gov't purchases of goods and services	10.8	15.6	11.6	6.4	7.0	12.8	9.3	8.9
Federal	10.5	27.3	10.7	4.1	1.9	15.3	6.4	4.8
Defense	9.7	31.8	5.8	2.4	.9	16.8	5.0	5.4
Other	12.2	19.9	20.1	7.7	3.7	12.4	9.2	3.5
State and local	10.9	8.9	12.2	7.8	10.3	11.3	11.2	11.4
GNP in constant (1958) dollars	-1.9	-9.0	-10.4	-1.2	4.6	5.7	5.6	4.6
Final purchases	-.4	-11.7	.1	-2.0	3.4	3.9	3.1	3.6
Private	-.5	-14.3	-1.1	-2.8	4.3	5.1	4.4	4.0
GNP implicit deflator	11.9	14.4 ^{2/}	8.0 ^{2/}	7.0	5.8	6.0 ^{2/}	5.0 ^{2/}	4.5
Private GNP fixed weighted index ^{3/}	13.8	12.6	7.6	6.8	5.7	5.3	4.8	4.5
Personal income	12.4	6.6	2.1	9.5	8.8	9.3	8.5	9.0
Wage and salary disbursements	9.9	3.3	-2.2	5.8	8.4	9.0	9.9	8.7
Disposable income	11.5	6.5	3.5	28.2	-2.9	8.0	6.3	8.2
Corporate profits before tax	62.8	-50.8	-67.5	9.2	21.2	43.2	14.5	15.8
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	21.2	-10.3	-21.9	-42.7	76.3	18.3	23.8	12.5
Expenditures	19.2	20.6	25.6	21.3	6.9	12.6	7.8	8.8
Nonfarm payroll employment	1.7	-1.7	-7.7	-3.1	-.5	.5	1.6	2.6
Manufacturing	-.6	-10.4	-22.3	-12.4	-2.2	2.3	2.3	4.5
Industrial production	-.3	-12.5	-28.4	-5.2	7.9	8.3	9.6	6.5
Housing starts, private	-60.7	-53.0	-5.1	53.7	113.7	61.8	14.0	-12.3
Sales new autos	45.5	-71.2	60.9	-30.0	38.9	41.6	24.1	.0
Domestic models	33.8	-74.6	41.8	-31.7	50.9	53.3	29.9	.0
Foreign models	138.3	-46.2	173.3	-23.4	.0	.0	.0	.0

^{1/} Percentage rates are annual rates compounded quarterly.^{2/} Excluding Federal pay increases rates of change are: 1974-IV, 13.7 per cent; 1975-I, 7.8 per cent; 1975-IV, 5.3 per cent; and 1976-I, 4.8 per cent.^{3/} Using expenditures in 1967 as weights.

May 14, 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 ^{1/}	-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 (-)	1.3	-19.2	-8.5	-3.4	4.6	4.8	14.0	19.6
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	19.2	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.)	2.37	2.42	2.39	2.17	2.01	1.62	1.61	1.53
Sales new autos (millions, A.R.)	11.21	11.68	12.18	12.03	11.33	10.15	9.04	9.17
Domestic models	9.59	9.90	10.26	10.17	9.66	8.51	7.49	7.92
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	10.92/	11.22/	-7.2/
Exports	73.3	78.5	88.8	95.4	103.7	116.02/	132.32/	140.22/
Imports	78.1	83.8	89.5	94.9	97.1	105.1	121.1	140.9

^{2/} Includes shipments of military equipment and supplies to Israel which are not included in GNP exports; amounts in millions of dollars at annual rates are 1973-IV, \$2.4; 1974-I, \$.3; 1974-II, \$.3.

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	25.5	9.1	-5.5	-32.7	-25.3	-58.3	-2.0	-19.1
Sales new autos	22.2	17.9	18.3	-5.0	-21.3	-35.5	-37.1	5.9
Domestic models	20.8	13.4	15.4	-3.5	-18.6	-39.8	-40.0	25.1
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.

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

	1969	1970	1971	1972	1973	1974	1975 Proj.
Gross National Product	930.3	977.1	1054.9	1158.0	1294.9	1397.4	1463.2
Final purchases							
Private	922.5	972.6	1048.6	1149.5	1279.6	1383.2	1473.7
Excluding net exports	710.6	753.1	814.4	893.8	1003.2	1074.0	1131.5
	710.6	749.5	814.6	899.8	999.3	1071.9	1133.2
Personal consumption expenditures	579.5	617.6	667.1	729.0	805.2	876.7	949.4
Durable goods	90.8	91.3	103.9	118.4	130.3	127.5	129.4
Nondurable goods	245.9	263.8	278.4	299.7	338.0	380.2	414.5
Services	242.7	262.6	284.8	310.9	336.9	369.0	405.5
Gross private domestic investment	139.0	136.3	153.7	179.3	209.4	209.4	173.3
Residential Construction	32.6	31.2	42.8	54.0	57.2	46.0	38.9
Business fixed investment	98.5	100.6	104.6	116.8	136.8	149.2	145.0
Change in business inventories	7.8	4.5	6.3	8.5	15.4	14.2	-10.6
Nonfarm	7.7	4.3	4.9	7.8	11.4	11.9	-10.2
Net exports of goods and services ^{1/}	1.9	3.6	- .2	- 6.0	3.9	2.1	-1.7
Exports	55.5	62.9	65.4	72.4	100.4	140.2	138.8
Imports	53.6	59.3	65.6	78.4	96.4	138.1	140.5
Gov't. purchases of goods and services	210.0	219.5	234.2	255.7	276.4	309.2	342.2
Federal	98.8	96.2	97.6	104.9	106.6	116.9	130.2
Defense	78.4	74.6	71.2	74.8	74.4	78.7	86.5
Other	20.4	21.6	26.5	30.1	32.2	38.2	43.6
State & local	111.2	123.3	136.6	150.8	169.8	192.3	212.1
Gross national product in constant (1958) dollars	725.6	722.5	746.3	792.5	839.2	821.2	787.7
GNP implicit deflator (1958=100)	128.2	135.4	141.4	146.1	154.3	170.2	185.7
Personal income	750.9	808.3	864.0	944.9	1055.0	1150.5	1233.5
Wage and salary disbursements	509.7	542.0	573.0	626.8	691.7	751.2	785.2
Disposable income	634.4	691.7	746.4	802.5	903.7	979.7	1067.6
Personal saving	38.2	56.2	60.5	52.6	74.4	77.0	92.0
Saving rate (per cent)	6.0	8.1	8.1	6.6	8.2	7.9	8.6
Corporate profits & inventory val. adj.	79.8	69.2	78.7	92.2	105.1	105.6	99.7
Corporate profits before tax	84.9	74.0	83.6	99.2	122.7	140.7	106.0
Federal government receipts and expenditures, (N.I.A. basis)							
Receipts	197.3	192.0	198.5	227.2	258.5	291.1	271.3
Expenditures	189.2	203.9	220.3	244.7	264.2	299.1	356.3
Surplus or deficit (-)	8.1	-11.9	-21.9	-17.5	-5.6	-8.1	-84.9
High employment surplus or deficit (-)	8.8	3.7	-4.7	-6.7	- .7	19.4	-10.7
State and local government surplus or deficit (-), (N.I.A. basis)	.7	1.8	3.4	12.3	9.2	1.8	-1.5
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	17.9
Industrial production (1967 = 100)	110.7	106.7	106.8	115.2	125.6	124.7	112.1
Capacity utilization, mfg. (per cent)	86.5	78.3	75.0	78.6	83.0	78.9	67.9
Major materials (per cent)	90.0	86.2	85.3	89.6	93.0	87.0	71.3
Housing starts, private (millions, A.R.)	1.47	1.43	2.05	2.36	2.05	1.34	1.23
Sales new autos (millions, A.R.)	9.57	8.40	10.24	10.93	11.44	8.87	8.29
Domestic models	8.46	7.12	8.68	9.32	9.67	7.45	6.66
Foreign models	1.11	1.28	1.56	1.61	1.77	1.42	1.63
^{1/} Net exports of g. & s. (Bal. of Paymts.)	1.3	2.9	- .2	-6.0	4.4	2/ 3.32/	4.52/
Exports	55.0	62.3	65.4	72.4	101.0	142.62/	144.12/
Imports	53.6	59.4	65.6	78.4	96.6	139.4	139.6

^{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, \$.150.

May 14, 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	102.5	65.8
Inventory change	.7	-3.3	1.8	2.2	6.9	-1.1	-24.8
Final purchases	65.4	50.1	76.0	100.9	130.1	103.6	90.5
Private	55.0	40.6	61.3	79.4	109.4	70.8	57.5
Net exports	-.6	1.7	-3.8	-5.8	9.9	-1.8	-3.8
Excluding net exports	55.6	38.9	65.1	85.2	99.5	72.6	61.3
Personal consumption expenditures	43.3	38.1	49.6	61.9	76.2	71.5	72.7
Durable goods	6.8	.5	12.6	14.5	11.9	-2.8	1.9
Nondurable goods	15.1	17.9	14.6	21.3	38.3	42.2	34.3
Services	21.4	19.9	22.2	26.1	26.0	32.1	36.5
Residential fixed investment	2.5	-1.4	11.6	11.2	3.2	-11.2	-7.1
Business fixed investment	9.7	2.1	4.0	12.2	20.0	12.4	-4.2
Government	10.4	9.5	14.7	21.5	20.7	32.8	33.0
Federal	.0	-2.6	1.4	7.3	1.7	10.3	13.3
State and local	10.4	12.1	13.3	14.2	19.0	22.5	19.8
GNP in constant (1958) dollars	19.0	-3.1	23.8	46.2	46.7	-18.0	33.5
Final purchases	18.7	-.4	-27.5	-44.4	43.0	-15.9	-17.1
Private	20.6	6.2	18.5	46.1	45.2	-17.5	-19.6
-----Per Cent per Year-----							
Gross National Product	7.6	5.0	8.0	9.8	11.8	7.9	4.7
Final purchases	7.6	5.4	7.8	9.6	11.3	8.1	6.5
Private	8.4	5.7	8.1	9.7	12.2	7.1	5.4
Personal consumption expenditures	8.1	6.6	8.0	9.3	10.5	8.9	8.3
Durable goods	8.1	.6	13.8	14.0	10.1	-2.1	1.5
Nondurable goods	6.5	7.3	5.5	7.7	12.8	12.5	9.0
Services	9.7	8.2	8.5	9.2	8.4	9.5	9.9
Gross private domestic investment	10.3	-1.9	12.8	16.7	16.8	.0	-17.2
Residential structures	8.3	-4.3	37.2	26.2	5.9	-19.6	-15.4
Business fixed investment	10.9	2.1	4.0	11.7	17.1	9.1	-2.8
Gov't purchases of goods & services	5.2	4.5	6.7	9.2	8.1	11.9	10.7
Federal	.0	-2.6	1.5	7.5	1.6	9.7	11.4
Defense	.1	-4.8	-4.6	5.1	-.5	5.8	9.9
Other	-.5	5.9	22.7	13.6	7.0	18.6	14.1
State and local	10.3	10.9	10.8	10.4	12.6	13.3	10.3
GNP in constant (1958) dollars	2.7	-.4	3.3	6.2	5.9	-2.1	-4.1
Final purchases	2.7	-.1	3.1	6.0	5.5	-1.9	-2.1
Private	3.7	1.1	3.9	6.7	6.5	-2.6	-2.9
GNP implicit deflator	4.8	5.5	4.6	3.4	5.6	10.3	9.1
Private GNP fixed weighted index ^{1/}	4.7	4.8	4.3	3.3	6.3	11.4	9.3
Personal income	9.0	7.6	6.9	9.4	11.7	9.1	7.2
Wage and salary disbursements	9.6	6.3	5.8	9.3	10.4	8.6	4.5
Disposable income	7.3	9.0	7.9	7.5	12.6	8.4	9.0
Corporate profits before tax	-3.1	-12.8	13.0	18.7	23.7	14.7	-24.7
Federal Government receipts and expenditures (N.I.A. basis)							
Receipts	12.7	-2.7	3.4	14.5	13.8	12.6	-6.8
Expenditures	4.2	7.8	8.0	11.1	8.0	13.2	19.1
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	-.2	-10.5
Industrial production	4.7	-3.6	.1	7.9	9.0	-.7	-10.2
Housing starts, private	-2.7	-2.3	43.2	14.9	-13.2	-34.6	-8.2
Sales new autos	-.6	-12.3	21.9	6.7	4.7	-22.5	-6.5
Domestic models	-1.8	-15.9	21.9	7.4	3.7	-23.0	-10.6
Foreign models	9.0	15.5	21.8	3.3	9.8	-20.1	14.8

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

Part 2

May 14, 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)

May 14, 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)

	Fiscal 1975e/		Fiscal 1976e/		Calendar Years		F.R.B. Staff Estimates				
	Budget Document	F.R. Board	Budget Document	F.R. Board	1974 Actual	1975 F.R.B. ^{e/}	Calendar Quarters				Half-Year
							1975				1976
							I*	II	III	IV	Jan.-June
Federal Budget							Unadjusted data				
Surplus/deficit	-34.7	-41.0	-51.9	-76.5	-10.9	-69.9	-18.0	-9.4	-16.9	-25.5	-34.0
Receipts	278.8	281.0	297.5	289.3	280.5	279.0	65.1	76.1	71.8	66.1	151.5
Outlays	313.4	322.0	349.4	365.8	291.4	348.9	83.1	85.5	88.7	91.6	185.5
Means of financing:											
Net borrowing from the public	43.5 ^{2/}	50.8	63.5 ^{2/}	84.3	11.8	83.6	19.4	16.6	18.9	28.7	36.
Decrease in cash operating balance	3.1 ^{2/}	1.6	-.4 ^{2/}	1.6	4.5	-.1	-.7	-1.0	1.6	--	--
Other ^{1/}	-11.9 ^{2/}	-11.4	-11.2 ^{2/}	-9.5	-5.4	-13.7	-.7	-6.2	-3.6	-3.2	-2.7
Cash operating balance, end of period	6.0 ^{2/}	7.6	6.4 ^{2/}	6.0	5.9	6.0	6.6	7.6	6.0	6.0	6.0
Memo: Sponsored agency borrowing ^{3/}	14.0	11.6	7.8	n.e.	16.6	2.7	.4 ^{e/}	.2	.5	1.6	n.e.
National Income Sector							Seasonally adjusted, annual rates				
Surplus/deficit	-36.1	-50.9 ^{4/}	-55.9	78.5 ^{4/}	-8.1	-84.9	-61.0 ^{e/}	-113.7	-83.0	-82.0	-72.6
Receipts	287.6	278.3 ^{4/}	305.1	296.0 ^{4/}	291.1	271.3	277.0 ^{e/}	241.0	277.7	289.6	310.1
Expenditures	323.7	329.2	361.0	374.4	299.1	356.3	338.0 ^{e/}	354.7	360.7	371.6	382.7
High Employment surplus/deficit (NIA basis) ^{2/5/}	n.a.	3.9	n.a.	-7.0	19.1	-10.7	9.7	-36.9	-5.9	-9.8	-6.1
* 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 Association, 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/} 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)

	<u>1974</u>	<u>1975</u>					
	<u>Year</u>	<u>QIe/</u>	<u>QIIe/</u>	<u>Mar.e/</u>	<u>Apr.e/</u>	<u>May f/</u>	<u>June f/</u>
<u>Gross offerings</u>							
Corporate securities:							
Total	3,155	5,053	4,760	5,524	4,731	5,150	4,400
Publicly-offered bonds	2,111	4,380	3,150	3,600	2,950	3,500	3,000
Privately-placed bonds	519	878	700	1,000	750	750	600
Stocks	525	695	910	924	1,031	900	800
Foreign securities <u>1/</u>	94	365	265	175	295	250	250
State and local govt. securities							
Long-term	1,894	2,188	2,224	1,966	2,172	2,300	2,200
Short-term	2,454	2,554	2,913	2,841	2,938	3,000	2,800
<u>Net offerings</u>							
U.S. Treasury ^{2/}	982	6,484	5,533	11,249	7,100	8,300	1,200
Sponsored Federal agencies	1,394	7	59	461	511	-1,650	1,317

1/ Includes issues of foreign private and official institutions.

2/ Total Treasury issues, including Federal Financing Bank.

3/ Estimated.

4/ Forecasted.