

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

March 15, 1972

By the Staff
Board of Governors
of the Federal Reserve System

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GROSS NATIONAL PRODUCT AND RELATED ITEMS
 (Quarterly figures are seasonally adjusted. Expenditures and income
 figures are billions of dollars, with quarterly figures at annual rates.)

	1971	1972 Proj.	1971		1972			
			III	IV	I	II	III	IV
Gross National Product	1046.8	1144.4	1053.4	1072.9	1104.0	1131.0	1157.5	1185.0
Final purchases	1044.5	1137.2	1054.6	1070.4	1100.0	1126.0	1149.3	1173.3
Private	811.5	881.2	820.8	829.6	852.0	871.3	891.1	910.4
Excluding net exports	811.5	880.7	820.8	834.2	853.0	870.8	889.9	909.2
Personal consumption expenditures	662.1	711.1	668.8	677.2	687.9	702.7	718.4	735.4
Durable goods	100.5	111.7	102.8	103.6	107.1	110.0	113.0	116.5
Non durable goods	278.6	295.4	280.2	283.3	285.3	291.7	298.7	306.0
Services	282.9	304.0	285.8	290.3	295.5	301.0	306.7	312.9
Gross private domestic investment	151.6	176.9	150.8	159.4	169.1	173.1	179.7	185.5
Residential construction	40.6	49.0	42.7	44.4	48.6	49.1	49.5	48.8
Business fixed investment	108.7	120.6	109.3	112.6	116.5	119.0	122.0	125.0
Change in business inventories	2.2	7.2	-1.2	2.4	4.0	5.0	8.2	11.7
Nonfarm	1.7	7.2	-2.0	2.0	3.8	5.0	8.2	11.7
Net exports of goods and services	0.0	0.5	0.0	-4.6	-1.0	0.5	1.2	1.2
Exports	65.3	72.4	68.2	60.4	70.1	71.6	73.1	74.9
Imports	65.3	72.0	68.2	65.0	71.1	71.1	71.9	73.7
Gov't. purchases of goods & services	233.0	256.0	233.8	240.8	248.0	254.7	258.2	262.9
Federal	97.6	106.7	97.6	100.3	105.0	108.2	107.2	106.4
Defense	71.4	75.7	70.2	71.4	74.5	76.5	75.9	75.9
Other	26.2	31.0	27.4	28.9	30.5	31.7	31.3	30.5
State & local	135.5	149.3	136.2	140.5	143.0	146.5	151.0	156.5
Gross national product in constant (1958) dollars	739.4	781.0	740.7	751.3	762.4	774.4	787.0	800.1
GNP implicit deflator (1958 = 100)	141.6	146.5	142.2	142.8	144.8	146.0	147.1	148.1
Personal income	857.0	922.8	864.6	876.7	897.5	913.6	931.6	948.3
Wage and salary disbursements	574.2	625.0	577.3	587.0	606.5	619.2	630.8	643.4
Disposable income	741.3	797.1	748.5	755.0	771.9	790.1	806.2	820.2
Personal saving	60.5	66.5	61.0	59.0	64.9	68.0	68.1	64.8
Saving rate (per cent)	8.2	8.4	8.2	7.8	8.4	8.6	8.5	7.9
Corporate profits before tax	85.2	100.1	85.8	85.0e	91.0	96.5	103.0	110.0
Corp. cash flow, net of div. (domestic)	80.8	96.5	82.4	82.1e	90.2	94.6	96.8	104.5
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	198.7	217.2	197.8	203.1e	212.8	213.4	218.5	223.9
Expenditures	221.9	248.2	224.6	228.7	239.0	248.5	251.9	253.4
Surplus or deficit (-)	-23.1	-31.1	-26.7	-25.6e	-26.2	-35.1	-33.4	-29.5
High employment surplus or deficit (-)	2.9	-5.9	1.3	6.6	2.0	-6.9	-9.9	-8.7
Total labor force (millions)	86.9	88.8	87.0	87.7	88.3	88.5	88.9	89.4
Armed forces "	2.8	2.5	2.8	2.7	2.6	2.5	2.5	2.5
Civilian labor force "	84.1	86.3	84.2	85.0	85.7	86.0	86.4	86.9
Unemployment rate (per cent)	5.9	5.6	6.0	5.9	5.8	5.7	5.6	5.4
Nonfarm payroll employment (millions)	70.7	72.3	70.6	71.0	71.6	72.1	72.5	73.1
Manufacturing	18.6	18.8	18.5	18.6	18.6	18.7	18.8	18.9
Industrial production (1967 = 100)	106.3	112.6	105.9	107.0	109.1	111.3	113.7	116.3
Capacity utilization, manufacturing (per cent)	74.4	75.5	73.9	73.8	74.3	75.0	75.9	76.9
Housing starts, private (millions, A.R.)	2.05	2.25	2.11	2.23	2.40	2.30	2.20	2.10
Sales new autos (millions, A.R.)	10.13	10.63	10.27	10.43	10.35	10.50	10.70	10.90
Domestic models	8.68	9.09	8.74	9.18	8.75	9.00	9.20	9.40
Foreign models	1.46	1.53	1.53	1.25	1.60	1.50	1.50	1.50

NOTE: Projection of related items such as employment and industrial production index are based on projection of deflated GNP. Federal budget high employment surplus or deficit (N.I.A. basis) are staff estimates and projections by method suggested by Okun and Teeters.

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CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1971	1972 Proj.	1971		1972			
			III	IV	I	II	III	IV
-----Billions Of Dollars-----								
Gross National Product	72.7	97.6	13.4	19.5	31.1	27.0	26.5	27.5
Inventory change	-0.6	5.0	-5.8	3.6	1.6	1.0	3.2	3.5
Final purchases	73.2	92.7	19.2	15.8	29.6	26.0	23.3	24.0
Private	59.6	69.7	15.0	8.8	22.4	19.3	19.8	19.3
Excluding net exports	63.2	69.2	15.1	13.4	18.8	17.8	19.1	19.3
Net exports	-3.6	0.5	-0.1	-4.6	-3.6	1.5	0.7	0.0
Government	13.6	23.0	4.2	7.0	7.2	6.7	3.5	4.7
GNP in constant (1958) dollars	19.4	41.6	4.9	10.6	11.1	12.0	12.6	13.1
Final purchases	19.6	37.9	9.5	7.7	10.5	10.8	10.2	10.3
Private	19.8	32.7	6.9	4.1	10.4	8.6	10.3	9.9
-----In Per Cent Per Year-----								
Gross National Product	7.5	9.3	5.21/	7.61/	11.6	9.8	9.4	9.5
Final purchases	7.5	8.9	7.4	6.0	11.1	9.5	8.3	8.4
Private	7.9	8.6	7.4	4.3	10.8	9.1	9.1	8.7
Personal consumption expenditures	7.5	7.4	7.0	5.0	6.3	8.6	8.9	9.5
Durable goods	13.4	11.1	14.9	2.7	13.5	10.8	10.9	12.4
Nondurable goods	5.3	6.0	3.5	4.4	2.8	9.0	9.6	9.8
Services	7.8	7.5	7.6	6.3	7.2	7.4	7.6	8.1
Gross private domestic investment	12.0	16.7	-5.5	22.8	24.3	9.5	15.2	12.9
Residential construction	33.6	20.7	27.0	15.9	37.8	4.1	3.3	-5.7
Business fixed investment	6.5	10.9	3.7	12.1	13.9	8.6	10.1	9.8
Gov't. purchases of goods & services	6.2	9.9	7.3	12.0	12.0	10.8	5.5	7.3
Federal	0.4	9.3	6.7	11.1	18.7	12.2	-3.7	-3.0
Defense	-5.3	6.0	-6.7	6.8	17.4	10.7	-3.1	0.0
Other	19.6	18.3	45.5	21.9	22.1	15.7	-5.0	-10.2
State & local	10.9	10.2	7.8	12.6	7.1	9.8	12.3	14.6
GNP in constant (1958) dollars	2.7	5.6	2.71/	5.81/	5.9	6.3	6.5	6.7
Final purchases	2.7	5.1	5.2	4.2	5.6	5.7	5.3	5.3
Private	3.4	5.5	4.6	2.7	6.9	5.6	6.6	6.2
GNP implicit deflator	4.7	3.5	2.51/	1.71/3/	5.64/	3.4	2.8	2.8
Private GNP fixed weight index ^{2/}	5.3	3.3	3.81/	1.81/	4.4	3.2	2.8	2.8
Personal income	6.6	7.7	5.2	5.6	9.5	7.2	7.9	7.2
Wage and salary disbursements	6.1	8.8	4.4	6.7	13.3	8.4	7.5	8.0
Disposable income	7.8	7.5	4.8	3.5	9.0	9.4	8.2	6.9
Corporate profits before tax	13.0	17.5	-5.1	-3.7	28.2	24.2	26.9	27.2
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	3.8	9.3	0.2	10.7	19.1	1.1	9.6	9.9
Expenditures	8.2	11.9	5.8	7.3	18.0	15.9	5.5	2.4
Nonfarm payroll employment	0.1	2.3	-0.2	2.3	3.4	2.8	2.2	3.3
Manufacturing	-3.9	1.1	-2.4	2.2	0.0	2.2	2.1	2.1
Industrial production	-0.4	5.9	-3.4	4.2	7.7	8.2	8.6	9.1
Housing starts, private	43.4	9.8	36.5	22.7	30.5	-16.7	-17.4	-18.2
Sales new autos	21.3	4.9	19.0	6.2	-3.1	5.8	7.6	7.5
Domestic models	21.9	4.7	22.7	20.1	-18.7	11.4	8.9	8.7
Foreign models	18.7	4.8	-1.0	-73.2	112.0	-25.0	0.0	0.0

1/ At compound rates.

2/ Using expenditures in 1967 as weights.

3/ Excluding the first \$1.2 billion, annual rate, of the volunteer army pay increase, 1.2 per cent per year.

4/ Excluding the remaining \$1.2 billion, annual rate, of the volunteer army pay increase and the general Federal employees pay increase, 4.4 per cent per year.

PROJECTION OF TREASURY CASH OUTLOOK
(In billions of dollars)

	Feb.	March	Apr.
<u>Total net borrowing</u>	.3	4.2	-.8
Weekly and monthly bills	.6	4.5	1.2
Tax bills	--	--	-4.0
Coupon issues	--	--	--
As yet unspecified new borrowing	--	--	2.0
Other (debt repayments, etc.)	-.3	-.3	--
Plus: <u>Other net financial sources</u> ^{a/}	-.6	.6	.5
Plus: <u>Budget surplus or deficit</u> (-)	-3.7	-5.5	2.2
Equals: <u>Change in cash balance</u>	-4.0 ^{b/}	-.7	1.9
Memoranda: Level of cash balance end of period	7.1 ^{b/}	6.4	8.3
Derivation of budget surplus or deficit:			
Budget receipts	15.3	14.2	22.1
Budget outlays	19.0	19.7	19.9
Maturing coupon issues held by public	3.7 ^{c/}	--	--
Net agency borrowing	0.5	0.3	0.4

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

^{b/} Actual.

^{c/} The February refunding fell short of its goal by \$1.2 billion.

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

	Calendar Quarters										
	Fiscal 1972 e/		FY 1973 e/		Calendar Years		F.R.B. Staff Estimates				
	Jan. Budget	F.R. Board	Jan. Budget		1971 Actual	1972 F.R.B.	IV*	1972	I	II	III
<u>Federal Budget</u>											
(Quarterly data, unadjusted)											
Surplus/deficit	-38.8	-34.6	-25.5		-24.8	-37.4	-10.6	-11.1	-5.1	-9.3	-11.9
Receipts	197.8	199.7	220.8		194.0	209.5	44.6	47.1	59.4	53.9	49.1
Outlays	246.6	234.3	246.3		218.8	246.9	55.2	58.2	64.5	63.2	61.0
Means of financing:											
Net borrowing from the public	39.5	31.3	27.5		24.8	30.6	12.5	4.6	5.1	8.3	12.6
Decrease in cash operating balance	--	1.8	--		-3.2	4.3	-1.3	4.9	-.6	--	--
Other ^{1/}	-.7	1.5	-2.0		3.2	2.5	-.6	1.6	.6	1.0	-.7
Cash operating balance, end of period	8.8	7.0	8.8		11.3	7.0	11.3	6.4	7.0	7.0	7.0
Memo: Net agency borrowing ^{2/}	n.a.	5.4	n.e.		1.1	n.e.	1.4	0.7	1.6	n.e.	n.e.
<u>National Income Sector</u>											
(Seasonally adjusted annual rate)											
Surplus/deficit	-35.0	-28.4	-28.0		-23.1	-31.1	-25.6	-26.2	-35.1	-33.4	-29.5
Receipts	202.8	206.8	227.9		198.8	217.2	203.1	212.8	213.4	218.5	223.9
Expenditures	237.8	235.2	255.9		221.9	248.2	228.7	239.0	248.5	251.9	253.4
High employment surplus/deficit (NIA basis) ^{3/}	n.a.	.8	n.a.		2.9	-5.9	6.6	2.0	-6.9	-9.9	-8.7

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

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

^{2/} Federally-sponsored credit agencies, i.e., Federal Home Loan Banks, Federal National Mortgage Assn., Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives.

^{3/} Estimated by F.R. Board Staff.