

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

January 4, 1968

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 | 1967 | | | 1968 | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| | Proj. | IV | I | II | III | IV | Proj. | |
| Gross National Product | 743.3 | 785.4 | 762.1 | 766.3 | 775.1 | 791.2 | 809.0 | 829.0 |
| Final sales | 729.9 | 781.0 | 743.6 | 759.2 | 774.6 | 787.4 | 802.8 | 820.0 |
| Private purchases | 575.6 | 604.6 | 581.9 | 588.8 | 599.6 | 609.2 | 620.7 | 635.5 |
| Personal consumption expenditures | 465.9 | 492.4 | 473.8 | 480.2 | 489.7 | 495.3 | 504.3 | 515.0 |
| Durable goods | 70.3 | 72.4 | 70.6 | 69.4 | 72.5 | 72.7 | 75.0 | 78.0 |
| Nondurable goods | 207.5 | 217.9 | 210.3 | 214.2 | 217.2 | 218.5 | 221.5 | 225.5 |
| Services | 188.1 | 202.1 | 192.9 | 196.6 | 200.0 | 204.1 | 207.8 | 211.5 |
| Gross private domestic investment | 118.0 | 111.5 | 122.2 | 110.4 | 105.1 | 112.2 | 118.1 | 124.7 |
| Residential construction | 24.4 | 24.5 | 20.9 | 21.4 | 23.1 | 25.6 | 28.0 | 28.8 |
| Business fixed investment | 80.2 | 82.5 | 82.8 | 81.9 | 81.5 | 82.8 | 83.9 | 86.9 |
| Change in business inventories | 13.4 | 4.4 | 18.5 | 7.1 | .5 | 3.8 | 6.2 | 9.0 |
| Nonfarm | 13.7 | 4.1 | 19.0 | 7.3 | .6 | 3.4 | 5.2 | 8.5 |
| Net Exports | 5.1 | 5.1 | 4.3 | 5.3 | 5.3 | 5.4 | 4.5 | 4.8 |
| Gov't purchases of goods & services | 154.3 | 176.4 | 161.7 | 170.4 | 175.0 | 178.2 | 182.1 | 184.5 |
| Federal | 77.0 | 90.0 | 81.5 | 87.1 | 89.5 | 90.9 | 92.5 | 93.1 |
| Defense | 60.5 | 72.6 | 65.6 | 70.2 | 72.5 | 73.3 | 74.5 | 74.5 |
| Other | 16.5 | 17.4 | 15.9 | 16.8 | 17.0 | 17.6 | 18.0 | 18.6 |
| State and local | 77.2 | 86.4 | 80.2 | 83.3 | 85.4 | 87.4 | 89.6 | 91.4 |
| Gross National Product in constant (1958) dollars | 652.6 | 669.6 | 661.1 | 660.7 | 664.7 | 672.0 | 681.0 | 691.7 |
| GNP Implicit deflator (1958=100) | 113.9 | 117.3 | 115.3 | 116.0 | 116.6 | 117.7 | 118.8 | 119.9 |
| Personal income | 584.0 | 626.6 | 601.6 | 612.9 | 619.1 | 631.0 | 643.5 | 658.0 |
| Wage and salaries | 394.6 | 424.0 | 407.4 | 414.7 | 418.3 | 426.2 | 436.9 | 448.3 |
| Disposable income | 508.8 | 544.9 | 522.0 | 532.7 | 540.0 | 548.2 | 558.6 | 570.5 |
| Personal saving | 29.8 | 38.3 | 34.6 | 38.8 | 36.0 | 38.5 | 39.8 | 40.7 |
| Saving rate (per cent) | 5.9 | 7.0 | 6.6 | 7.3 | 6.7 | 7.0 | 7.1 | 7.1 |
| Corporate profits before tax | 83.8 | 80.1 | 83.9 | 79.0 | 78.9 | 80.0 | 82.5 | 84.5 |
| Federal government receipts and expenditures (N.I.A. basis) | | | | | | | | |
| Receipts | 143.2 | 151.6 | 148.6 | 149.1 | 148.1 | 152.7 | 156.5 | 162.2 |
| Expenditures | 142.9 | 164.2 | 151.9 | 160.9 | 162.8 | 165.9 | 167.2 | 168.1 |
| Surplus or deficit (-) | .3 | -12.6 | -3.3 | -11.9 | -14.7 | -13.2 | -10.7 | -5.9 |
| Total labor force (millions) | 78.9 | 80.8 | 79.8 | 80.3 | 80.2 | 81.1 | 81.6 | 82.1 |
| Armed forces " | 3.1 | 3.5 | 3.3 | 3.4 | 3.5 | 3.5 | 3.5 | 3.5 |
| Civilian labor force " | 75.8 | 77.4 | 76.5 | 76.9 | 76.7 | 77.7 | 78.1 | 78.6 |
| 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 | 66.6 | 67.2 |
| Manufacturing | 19.2 | 19.4 | 19.5 | 19.5 | 19.3 | 19.2 | 19.4 | 19.6 |
| Industrial production (1957-59=100) | 156.3 | 157.3 | 159.3 | 157.1 | 155.9 | 157.2 | 158.8 | 162.5 |
| Capacity utilization, manufacturing (per cent) | 90.5 | 85.0 | 90.0 | 87.1 | 84.9 | 84.0 | 84.0 | 84.9 |
| Housing starts, private (millions A. R.) | 1.17 | 1.31 | .92 | 1.12 | 1.21 | 1.40 | 1.51 | 1.44 |
| Sales new U.S.-made autos (millions, A. R.) | 8.38 | 7.65 | 8.13 | 7.33 | 7.83 | 8.00 | 7.44 | 8.50 |

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

| | 1966 | 1967 Proj. | 1966 IV | 1967 | | | 1968 | |
|---|-------|---------------|------------|-------|-------|------|------------|-------|
| | | | I | II | III | IV | Proj. I | |
| ----- In Billions of Dollars ----- | | | | | | | | |
| Gross National Product | 59.4 | 42.1 | 13.3 | 4.2 | 8.8 | 16.1 | 17.8 | 20.0 |
| Final sales | 55.4 | 51.1 | 6.2 | 15.6 | 15.4 | 12.8 | 15.4 | 17.2 |
| Private purchases | 37.5 | 29.0 | 2.2 | 6.9 | 10.8 | 9.6 | 11.5 | 14.8 |
| GNP in constant (1958) dollars | 35.9 | 17.0 | 6.3 | -.4 | 4.0 | 7.3 | 9.0 | 10.7 |
| Final sales | 32.1 | 25.6 | -0.3 | 10.1 | 10.3 | 4.2 | 6.7 | 8.7 |
| Private purchases | 21.9 | 11.4 | -2.8 | 3.7 | 7.1 | 3.0 | 5.7 | 7.3 |
| --- In Per Cent; Quarterly Changes are at Annual Rates --- | | | | | | | | |
| Gross National Product | 8.7 | 5.7 | 7.1 | 2.2 | 4.6 | 8.3 | 9.0 | 9.9 |
| Final sales | 8.2 | 7.0 | 3.4 | 8.4 | 8.1 | 6.6 | 7.8 | 8.6 |
| Private purchases | 7.0 | 5.0 | 1.5 | 4.7 | 7.3 | 6.4 | 7.5 | 9.5 |
| Personal consumption expenditures | 7.6 | 5.7 | 3.1 | 5.4 | 7.9 | 4.6 | 7.3 | 8.5 |
| Durable goods | 6.5 | 3.0 | -1.7 | -6.8 | 17.9 | 1.1 | 12.7 | 16.0 |
| Nondurable goods | 8.5 | 5.0 | 1.5 | 7.4 | 5.6 | 2.4 | 5.5 | 7.2 |
| Services | 6.9 | 7.4 | 6.5 | 7.7 | 6.9 | 8.2 | 7.2 | 7.1 |
| Gross private domestic investment | 9.9 | -5.5 | 19.9 | -38.6 | -19.2 | 27.0 | 21.0 | 22.4 |
| Residential construction | -9.6 | 0.4 | -47.3 | 9.6 | 31.8 | 43.3 | 37.5 | 11.4 |
| Business fixed investment | 12.8 | 2.9 | 7.9 | -4.3 | -2.0 | 6.4 | 5.3 | 14.3 |
| Gov't purchases of goods & services | 13.1 | 14.3 | 10.1 | 21.5 | 10.8 | 7.3 | 8.8 | 5.3 |
| Federal | 15.3 | 16.9 | 10.1 | 27.5 | 11.0 | 6.3 | 7.0 | 2.6 |
| Defense | 20.8 | 20.0 | 16.5 | 28.0 | 13.1 | 4.4 | 6.5 | 0.0 |
| Other | -1.2 | 5.5 | -16.9 | 22.6 | 4.8 | 14.1 | 9.1 | 13.3 |
| State & local | 10.9 | 11.9 | 10.8 | 15.5 | 10.1 | 9.4 | 10.1 | 8.0 |
| GNP in constant (1958) dollars | 5.8 | 2.6 | 3.8 | -.2 | 2.4 | 4.4 | 5.4 | 6.3 |
| Final sales | 5.3 | 4.0 | -0.2 | 6.3 | 6.3 | 2.5 | 4.0 | 5.2 |
| Private purchases | 4.4 | 2.2 | -2.2 | 2.9 | 5.5 | 2.3 | 4.3 | 5.5 |
| 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 | 7.9 | 9.0 |
| Wage and salaries | 9.9 | 7.5 | 7.8 | 7.2 | 3.5 | 7.6 | 10.0 | 10.4 |
| Disposable income | 7.8 | 7.1 | 7.5 | 8.2 | 5.5 | 6.1 | 7.6 | 8.5 |
| Corporate profits before tax | 9.5 | -4.4 | -.5 | -23.4 | -0.5 | 5.6 | 12.5 | 9.7 |
| Federal government receipts and expenditures (N.I.A. basis) | | | | | | | | |
| Receipts | 14.7 | 5.9 | 8.2 | 1.3 | -2.7 | 12.4 | 10.0 | 14.6 |
| Expenditures | 15.8 | 14.9 | 15.3 | 23.7 | 4.7 | 7.6 | 3.1 | 2.2 |
| Nonfarm payroll employment | 5.3 | 3.1 | 4.4 | 4.3 | 0.0 | 2.4 | 3.0 | 3.6 |
| Manufacturing | 6.1 | 1.0 | 4.1 | 0.0 | -4.1 | -2.1 | 4.2 | 4.1 |
| Industrial production | 9.0 | 0.6 | 4.1 | -5.5 | -3.1 | 3.3 | 4.1 | 9.3 |
| Housing starts, private | -20.4 | 12.0 | -59.3 | 87.0 | 32.1 | 62.8 | 31.4 | -18.5 |
| Sales new U.S.-made autos | -4.4 | -8.7 | -15.8 | -39.6 | 27.3 | 8.7 | -28.0 | 57.0 |

VARIOUS FEDERAL BUDGETS
(In billions of dollars)

| | 1966 | | | | 1967 | | | | 1968 | FY 1967 I ^e | Fiscal Year 1968 | | |
|---|-------|-------|-------|-------|-------|-----------------|-------|-------|-------|---------------------------|----------------------|---------------------|-------------|
| | III | IV | I | II | III | IV ^e | | | | | January Budget 3/ | Summer Review 4/ | |
| <u>Quarterly data, unadjusted</u> | | | | | | | | | | | | | |
| Cash surplus/deficit (-) | - 6.7 | - 7.7 | 1.4 | 11.5 | - 9.2 | -11.0 | - 4.9 | - 1.5 | - 4.3 | - 11.5 | | | |
| Cash receipts | 34.6 | 31.1 | 38.0 | 49.9 | 35.9 | 32.2 | 37.8 | 153.6 | 168.1 | 164.0 | | | |
| Cash payments | 41.3 | 38.8 | 36.7 | 38.4 | 45.1 | 43.2 | 42.7 | 155.1 | 172.4 | 175.5 | | | |
| Change in total cash balance | - 4.1 | - 2.5 | .7 | 1.4 | .3 | - 1.9 | - .8 | - 4.5 | -- | -- | | | |
| Net Cash borrowing (+) | 2.4 | 5.1 | -.9 | -10.3 | 9.3 | 9.1 | 4.1 | - 3.8 | 3.8 | 11.0 | | | |
| (Pool sales to public) <u>1/</u> | - .5 | -- | 1.1 | 1.8 | -- | .7 | 1.4 | 2.9 | 5.0 | 5.0 | | | |
| <u>Seasonally adjusted annual rate</u> | | | | | | | | | | | | | III 1.28 |
| Federal surplus/deficit (-) | | | | | | | | | | | | | |
| in national income accounts | - .7 | - 3.3 | -11.9 | -14.7 | -13.1 | -10.7 | - 5.9 | - 7.7 | - 2.1 | - 6.4 | | | |
| Receipts | 145.6 | 148.6 | 149.1 | 148.1 | 152.8 | 156.5 | 162.2 | 147.9 | 167.1 | 164.0 | | | |
| Expenditures | 146.3 | 151.9 | 160.9 | 162.8 | 165.9 | 167.2 | 168.1 | 155.5 | 169.2 | 170.4 | | | |
| High employment surplus/ deficit (-) <u>2/</u> | - .4 | - 3.3 | -10.5 | -13.0 | -12.2 | -10.2 | - 5.5 | - 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.

CONFIDENTIAL (FR)

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

January 8, 1968

The Bank of Japan discount rate was increased on January 6 from 5.84 per cent to 6.21 per cent. This action, accompanying the credit policy measures described on page IV-24, is intended to restrain domestic demand and improve the balance of payments, which has worsened with the rise in Japanese imports in recent months.

Corrections:

Section III - page 10 - para. 2 - line 7 -

Change \$13.5 to \$9.0 billion.