

Part 1

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)

November 12, 1975

SUMMARY AND OUTLOOK

By the Staff
Board of Governors
of the Federal Reserve System

SUMMARY AND OUTLOOK

STAFF GNP PROJECTIONS

	Per cent changes, annual rate							
	Changes in Nominal GNP (\$ billions)		Real GNP		Gross private product fixed weighted price index		Unemployment Rate (per cent)	
	10/15/75	11/12/75	10/15/75	11/12/75	10/15/75	11/12/75	10/15/75	11/12/75
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	78.6	78.8	-3.0	-3.0	9.4	9.3	8.4	8.5
1976	175.4	172.7	5.9	5.9	6.1	6.0	7.8	7.9
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>	-14.3	-14.3	-11.4	-11.4	7.7	7.7	8.3	8.3
II <u>1/</u>	24.3	24.3	1.9	1.9	5.5	5.5	8.9	8.9
III <u>1/</u>	55.0	56.8	10.8	11.2	8.1	7.7	8.4	8.4
IV	54.6	51.6	7.6	7.4	6.6	6.4	8.1	8.3
1976-I	41.7	39.2	5.3	4.9	6.1	5.9	8.0	8.1
II	40.1	40.2	5.1	5.0	5.3	5.6	7.9	8.0
III	39.0	39.6	4.5	4.6	5.2	5.3	7.7	7.8
IV	38.4	41.4	3.8	4.5	4.9	4.9	7.7	7.8
Change:								
74-II to								
75-II	57.1	57.1	-5.3	-5.3	9.8	9.8	3.8	3.8
74-IV to								
75-IV	119.6	118.5	1.8	1.9	7.0	6.8	1.5	1.7
75-II to								
76-II	191.4	187.8	7.2	7.1	6.5	6.4	-1.0	-.9
75-IV to								
76-IV	159.2	160.8	4.7	4.8	5.4	5.4	-.4	-.5

1/ Actual.

CLASS II FOMC

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.)

	1975				1976			
	I	II	III	IV	Projected I	II	III	IV
Gross National Product	1416.6	1440.9	1497.8	1549.4	1588.6	1628.8	1668.4	1709.8
Final purchases	1435.8	1471.9	1507.3	1545.4	1577.9	1614.8	1652.4	1692.8
Private	1104.2	1133.8	1164.2	1195.1	1222.0	1252.3	1282.6	1311.0
Excluding net exports	1095.4	1117.6	1154.4	1188.2	1221.7	1254.8	1286.1	1314.7
Personal consumption expenditures	913.2	938.6	970.0	997.0	1022.7	1045.2	1065.8	1085.4
Durable goods	124.9	130.6	139.0	142.3	147.0	150.7	153.9	157.0
Nondurable goods	398.8	410.1	423.8	436.5	446.5	454.3	461.1	468.2
Services	389.5	397.9	407.2	418.2	429.2	440.2	450.8	460.2
Gross private domestic investment	163.1	148.1	174.9	195.2	209.7	223.6	236.3	246.3
Residential construction	35.3	36.4	40.8	44.1	46.9	51.0	54.3	55.2
Business fixed investment	146.9	142.7	143.6	147.1	152.1	158.6	166.0	174.1
Change in business inventories	-19.2	-31.0	-9.5	4.0	10.7	14.0	16.0	17.0
Nonfarm	-17.8	-30.6	-10.6	2.5	10.2	14.0	16.0	17.0
Net exports of goods and services ^{1/}	8.8	16.2	9.8	6.9	.3	-2.5	-3.5	-3.7
Exports	142.2	136.0	140.2	145.5	149.7	155.1	160.0	164.9
Imports	133.4	119.8	130.4	138.6	149.4	157.6	163.5	168.6
Gov't. purchases of goods and services	331.6	338.1	343.1	350.3	355.9	362.5	369.8	381.8
Federal	126.5	128.4	129.9	134.4	136.7	138.8	140.7	146.7
Defense	84.7	84.8	85.6	88.6	89.9	91.3	92.4	96.4
Other	41.8	43.6	44.3	45.8	46.8	47.5	48.3	50.3
State and local	205.1	209.7	213.2	215.9	219.2	223.7	229.1	235.1
Gross national product in constant (1958) dollars	780.0	783.6	804.6	819.0	829.0	839.2	848.7	858.1
GNP implicit deflator (1958=100)	181.6	183.9	186.2	189.2	191.6	194.1	196.6	199.3
Personal income	1193.4	1220.5	1255.0	1294.9	1328.5	1358.4	1388.7	1419.4
Wage and salary disbursements	765.1	773.0	791.3	813.0	832.1	851.2	870.2	892.3
Disposable income	1015.5	1078.5	1079.1	1108.7	1138.3	1163.3	1186.2	1210.9
Personal saving	75.9	113.8	82.9	84.9	88.2	90.2	92.0	96.6
Saving rate (per cent)	7.5	10.6	7.7	7.7	7.7	7.8	7.8	8.0
Corporate profits & inventory val. adj.	94.3	104.9	118.2	127.6	129.4	137.9	148.4	155.9
Corporate profits before tax	101.2	113.3	129.7	145.5	148.0	153.0	158.5	163.2
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts ^{2/}	284.1	251.8	295.1	311.1	321.2	329.9	341.3	351.1
Expenditures	338.5	355.0	361.9	373.9	384.1	391.6	401.7	413.9
Surplus or deficit (-) ^{2/}	-54.4	-103.3	-66.8	-62.8	-62.9	-61.7	-60.4	-62.8
High employment surplus or deficit (-)	10.2	-35.9	-10.0	-12.4	-11.2	-9.4	-9.8	-11.2
State and local government surplus or deficit (-) (N.I.A. basis)	-1.6	-.9	3.3	9.3	11.5	12.4	11.4	10.6
Total labor force (millions)	94.0	94.7	95.3	95.7	96.0	96.4	96.9	97.3
Armed forces "	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Civilian labor force "	91.8	92.5	93.1	93.5	93.8	94.2	94.7	95.1
Unemployment rate (per cent)	8.3	8.9	8.4	8.3	8.1	8.0	7.8	7.8
Nonfarm payroll employment (millions)	76.9	76.4	77.0	77.6	78.0	78.6	79.0	79.6
Manufacturing	18.5	18.1	18.3	18.6	18.8	19.0	19.1	19.2
Industrial production (1967=100)	111.6	110.4	114.1	117.4	119.5	121.4	123.0	124.6
Capacity utilization, mfg. (per cent)	68.2	67.0	69.0	70.4	71.1	71.7	72.0	72.4
Major materials (per cent)	70.0	70.9	77.5	80.4	81.7	82.5	83.0	83.3
Housing starts, private (millions, A.R.)	1.00	1.07	1.25	1.40	1.50	1.55	1.66	1.60
Sales new autos (millions, A.R.)	8.31	7.90	9.14	9.50	10.20	10.20	10.20	10.20
Domestic models	6.60	6.33	7.46	8.00	8.50	8.50	8.50	8.50
Foreign models	1.71	1.57	1.69	1.50	1.70	1.70	1.70	1.70
1/ Net exports of g. & s. (Bal. of paymts)	12.7 ^{3/}	21.0	16.6	13.7	7.1	4.3	3.3	3.1
Exports	148.4 ^{3/}	141.7	147.1	152.4	156.6	162.0	166.9	171.8
Imports	135.7	120.6	130.5	138.7	149.5	157.7	163.6	168.7

^{2/} Federal government N.I.A. receipts in 1975-II reflect the \$8.1 billion rebate of 1974 individual income taxes and in 1975-III and following quarters the \$9.3 billion reduction in 1975 individual income taxes; the withholding rates associated with the latter reduction are assumed to be continued in 1976.

^{3/} Includes \$.3 billion, annual rate of shipments of military equipment and supplies to Israel which are not included in GNP exports.

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CLASS II FOMC

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1975				1976			
	I	II	III	IV	I	II	III	IV
Gross National Product	-14.3	24.3	56.9	51.6	39.2	40.2	39.6	41.4
Inventory change	-37.0	-11.8	21.5	13.5	6.7	3.3	2.0	1.0
Final purchases	22.7	36.1	35.4	38.1	32.5	36.9	37.6	40.4
Private	14.9	29.6	30.4	30.9	26.9	30.3	30.3	28.4
Net exports	6.9	7.4	-6.4	-2.9	-6.6	-2.8	-1.0	-.2
Excluding net exports	8.0	22.2	36.8	33.8	33.5	33.1	31.3	28.6
Personal consumption expenditures	17.4	25.4	31.4	27.0	25.7	22.5	20.6	19.6
Durable goods	4.2	5.7	8.4	3.3	4.7	3.7	3.2	3.1
Nondurable goods	7.1	11.3	13.7	12.7	10.0	7.8	6.8	7.1
Services	6.0	8.4	9.3	11.0	11.0	11.0	10.6	9.4
Residential fixed investment	-5.1	1.1	4.4	3.3	2.8	4.1	3.3	.9
Business fixed investment	-4.3	-4.2	.9	3.5	5.0	6.5	7.4	8.1
Government	7.8	6.5	5.0	7.2	5.6	6.6	7.3	12.0
Federal	2.0	1.9	1.5	4.5	2.3	2.1	1.9	6.0
State and local	5.8	4.6	3.5	2.7	3.3	4.5	5.4	6.0
GNP in constant (1958) dollars	-24.0	3.6	21.0	14.4	10.0	10.2	9.5	9.4
Final purchases	-1.3	8.9	8.7	7.8	7.1	9.0	8.7	8.9
Private	-2.7	7.4	8.3	7.5	6.5	7.8	7.7	6.9
-----in Per Cent Per Year ^{1/} -----								
Gross national product	-3.9	7.0	16.7	14.5	10.5	10.5	10.1	10.3
Final purchases	6.6	10.4	10.0	10.5	8.7	9.7	9.6	10.1
Private	5.6	11.2	11.2	11.0	9.3	10.3	10.0	9.2
Personal consumption expenditures	8.0	11.6	14.1	11.6	10.7	9.1	8.1	7.6
Durable goods	14.7	19.5	28.3	9.8	13.9	10.5	8.8	8.3
Nondurable goods	7.4	11.8	14.0	12.5	9.5	7.2	6.1	6.3
Services	6.4	8.9	9.7	11.3	10.9	10.7	10.0	8.6
Gross private domestic investment	-63.2	-32.0	94.5	55.2	33.2	29.3	24.7	18.0
Residential structures	-41.7	13.1	57.8	36.5	27.9	39.8	28.5	6.8
Business fixed investment	-10.9	-11.0	2.5	10.1	14.3	18.2	20.0	21.0
Gov't purchases of goods & services	10.0	8.1	6.0	8.7	6.5	7.6	8.3	13.6
Federal	6.6	6.1	4.8	14.6	7.0	6.3	5.6	18.2
Defense	3.4	.5	3.8	14.8	6.0	6.4	4.9	18.5
Other	12.4	18.4	6.6	14.2	9.0	6.1	6.9	17.6
State and local	12.2	9.3	6.8	5.2	6.3	8.5	10.0	10.9
GNP in constant (1958) dollars	-11.4	1.9	11.2	7.4	5.0	5.0	4.6	4.5
Final purchases	-.7	4.6	4.4	3.9	3.5	4.4	4.2	4.3
Private	-1.7 ^{2/}	4.7	5.2	4.6 ^{2/}	4.0 ^{2/}	4.7	4.6	4.1 ^{2/}
GNP implicit deflator	8.4 ^{2/}	5.1	5.0	6.6 ^{2/}	5.3 ^{2/}	5.2	5.2	5.6 ^{2/}
Private GNP fixed weighted index ^{3/}	7.7	5.5	7.7	6.4	5.9	5.6	5.3	4.9
Personal income	2.2	9.4	11.8	13.3	10.8	9.3	9.2	9.1
Wage and salary disbursements	-2.1	4.2	9.8	11.4	9.7	9.5	9.2	10.6
Disposable income	2.7	27.2	.2	11.4	11.1	9.1	8.1	8.6
Corporate profits before tax	-64.9	57.1	71.7	58.4	7.1	14.2	15.2	12.4
Federal Government receipts and expenditures (N.I.A. basis)								
Receipts	-13.6	-38.3	88.6	23.5	13.6	11.3	14.6	12.0
Expenditures	26.3	21.0	8.0	13.9	11.4	8.0	10.7	12.7
Nonfarm payroll employment	-7.1	-2.2	2.8	3.2	2.1	3.1	2.1	3.1
Manufacturing	-21.2	-6.9	2.5	6.7	4.4	4.3	2.1	2.1
Industrial production	-28.4	-4.7	14.5	11.8	7.5	6.3	5.5	5.4
Housing starts, private	-2.4	32.7	86.3	57.4	31.8	14.0	31.6	-13.7
Sales new autos	60.9	-18.2	79.3	16.7	32.9	.0	.0	.0
Domestic models	41.8	-15.3	92.4	32.3	27.4	.0	.0	.0
Foreign models	172.4	-28.8	33.3	-37.9	65.0	.0	.0	.0

^{1/} Percentage rates are annual rates compounded quarterly.^{2/} Excluding Federal pay increases rates of change are: 1975-I, 8.3 per cent, 1975-IV, 6.0 per cent; 1976-I, 5.2 per cent; and 1976-IV, 4.9 per cent.^{3/} Using expenditures in 1967 as weights.

CLASS II FOMC

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

	1969	1970	1971	1972	1973	1974	1975 Projected	1976 Projected
Gross National Product	930.3	977.1	1054.9	1158.0	1294.9	1397.4	1476.2	1648.9
Final purchases								
Private	922.5	972.6	1048.6	1149.5	1279.6	1383.2	1490.1	1634.5
Excluding net exports	712.5	753.1	814.4	893.8	1003.2	1074.0	1149.3	1267.0
Net exports	710.6	749.5	814.6	899.8	999.3	1071.9	1138.9	1269.3
Personal consumption expenditures	579.5	617.6	667.1	729.0	805.2	876.7	954.7	1054.8
Durable goods	90.8	91.3	103.9	118.4	130.3	127.5	134.2	152.2
Nondurable goods	245.9	263.8	278.4	299.7	338.0	380.2	417.3	457.5
Services	242.7	262.6	284.8	310.9	336.9	369.0	403.2	445.1
Gross private domestic investment	139.0	136.3	153.7	179.3	209.4	209.4	170.3	229.0
Residential Construction	32.6	31.2	42.8	54.0	57.2	46.0	39.2	51.8
Business fixed investment	98.5	100.6	104.6	116.8	136.8	149.2	145.1	162.7
Change in business inventories	7.8	4.5	6.3	8.5	15.4	14.2	-13.9	14.4
Nonfarm	7.7	4.3	4.9	7.8	11.4	11.9	-14.1	14.3
Net exports of goods and services ^{1/}	1.9	3.6	- .2	- 6.0	3.9	2.1	10.4	-2.4
Exports	55.5	62.9	65.4	72.4	100.4	140.2	141.0	157.4
Imports	53.6	59.3	65.6	78.4	96.4	138.1	130.6	159.8
Gov't. purchases of goods and services	210.0	219.5	234.2	255.7	276.4	309.2	340.8	367.5
Federal	98.8	96.2	97.6	104.9	106.6	116.9	129.8	140.7
Defense	78.4	74.6	71.2	74.8	74.4	78.7	85.9	92.5
Other	20.4	21.6	26.5	30.1	32.2	38.2	43.9	48.2
State & local	111.2	123.3	136.6	150.8	169.8	192.3	211.0	226.8
Gross national product in constant (1958) dollars	725.6	722.5	746.3	792.5	839.2	821.2	796.8	843.8
GNP implicit deflator (1958=100)	128.2	135.2	141.4	146.1	154.3	170.2	185.2	195.4
Personal income	750.9	808.3	864.0	944.9	1055.0	1150.5	1241.0	1373.8
Wage and salary disbursements	509.7	542.0	573.0	626.8	691.7	751.2	785.6	861.5
Disposable income	634.4	691.7	746.4	802.5	903.7	979.7	1070.5	1174.7
Personal saving	38.2	56.2	60.5	52.6	74.4	77.0	89.4	91.8
Saving rate (per cent)	6.0	8.1	8.1	6.6	8.2	7.9	8.4	7.8
Corporate profits & inventory val. adj.	79.8	69.2	78.7	92.2	105.1	105.6	111.3	142.9
Corporate profits before tax	84.9	74.0	83.6	99.2	122.7	140.7	122.4	155.7
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	197.3	192.0	198.5	227.2	258.5	291.1	285.5	335.9
Expenditures	189.2	203.9	220.3	244.7	264.2	299.1	357.3	397.8
Surplus or deficit (-)	8.1	-11.9	-21.9	-17.5	-5.6	-8.1	-71.8	-62.0
High employment surplus or deficit (-)	8.8	3.7	-4.7	-6.7	- .7	19.1	-12.0	-10.4
State and local government surplus or deficit (-), (N.I.A. basis)	.7	1.8	3.4	12.3	9.2	1.8	2.5	11.5
Total labor force (millions)	84.2	85.9	86.9	89.0	91.0	93.2	94.9	96.7
Armed forces "	3.5	3.2	2.8	2.4	2.3	2.2	2.2	2.2
Civilian labor force "	80.7	82.7	84.1	86.5	88.7	91.0	92.7	94.5
Unemployment rate (per cent)	3.5	4.9	5.9	5.6	4.9	5.6	8.5	7.9
Nonfarm payroll employment (millions)	70.4	70.9	71.2	73.7	76.8	78.3	77.0	78.8
Manufacturing	20.2	19.3	18.6	19.1	20.1	20.0	18.4	19.0
Industrial production (1967 = 100)	110.7	106.7	106.8	115.2	125.6	124.7	113.4	121.1
Capacity utilization, mfg. (per cent)	86.5	78.3	75.0	78.6	83.0	78.9	68.7	71.8
Major materials (per cent)	90.0	86.2	85.3	89.6	93.0	87.0	74.7	82.6
Housing starts, private (millions, A.R.)	1.47	1.43	2.05	2.36	2.05	1.34	1.18	1.58
Sales new autos (millions, A.R.)	9.57	8.40	10.24	10.93	11.44	8.87	8.71	10.20
Domestic models	8.46	7.12	8.68	9.32	9.67	7.45	7.10	8.50
Foreign models	1.11	1.28	1.56	1.61	1.77	1.42	1.62	1.70
^{1/} Net exports of g. & s. (Bal. of Paymts.)	1.3	2.9	- .2	-6.0	4.4	2/ 3.32/	16.02/	4.52/
Exports	55.0	62.3	65.4	72.4	101.0	214.2/	147.42/	164.32/
Imports	53.6	59.4	65.6	78.4	96.6	131.4	131.4	159.0

^{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.

November 12, 1975

CLASS II FOMC

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1969	1970	1971	1972	1973	1974	Projected	
							1975	1976
-----Billions of Dollars-----								
Gross National Product	66.1	46.8	77.8	103.1	136.9	102.5	78.8	172.7
Inventory change	.7	-3.3	1.8	2.2	6.9	- 1.2	-28.1	28.3
Final purchases	65.4	50.1	76.0	100.9	130.1	103.6	106.9	144.4
Private	55.0	40.6	61.3	79.4	109.4	70.8	75.3	117.7
Net exports	- .6	1.7	-3.8	-5.8	9.9	- 1.8	8.3	-12.8
Excluding net exports	55.6	38.9	65.1	85.2	99.5	72.6	67.0	130.4
Personal consumption expenditures	43.3	38.1	49.6	61.9	76.2	71.5	78.0	100.1
Durable goods	6.8	.5	12.6	14.5	11.9	- 2.8	6.7	18.0
Nondurable goods	15.1	17.9	14.6	21.3	38.3	42.2	37.1	40.2
Services	21.4	19.9	22.2	26.1	26.0	32.1	34.2	41.9
Residential fixed investment	2.5	-1.4	11.6	11.2	3.2	-11.2	-6.8	12.6
Business fixed investment	9.7	2.1	4.0	12.2	20.0	12.4	-4.1	17.6
Government	10.4	9.5	14.7	21.5	20.7	32.8	31.6	26.7
Federal	.0	-2.6	1.4	7.3	1.7	10.3	12.9	10.9
State and local	10.4	12.1	13.3	14.2	19.0	22.5	18.7	15.8
GNP in constant (1958) dollars	19.0	-3.1	23.8	46.2	46.7	-18.0	-24.4	47.0
Final purchases	18.7	- .4	-22.5	-44.4	43.0	-15.9	-7.7	32.8
Private	20.6	6.2	18.5	46.1	45.2	-17.5	-10.8	29.5
-----Per Cent per Year-----								
Gross National Product	7.6	5.0	8.0	9.8	11.8	7.9	5.6	11.7
Final purchases	7.6	5.4	7.8	9.6	11.3	8.1	7.7	9.7
Private	8.4	5.7	8.1	9.7	12.2	7.1	7.0	10.2
Personal consumption expenditures	8.1	6.6	8.0	9.3	10.5	8.9	8.9	10.5
Durable goods	8.1	.6	13.8	14.0	10.1	- 2.1	5.3	13.4
Nondurable goods	6.5	7.3	5.5	7.7	12.8	12.5	9.8	9.6
Services	9.7	8.2	8.5	9.2	8.4	9.5	9.3	10.4
Gross private domestic investment	10.3	-1.9	12.8	16.7	16.8	.0	-18.7	34.5
Residential structures	8.3	-4.3	37.2	26.2	5.9	-19.6	-14.8	32.1
Business fixed investment	10.9	2.1	4.0	11.7	17.1	9.1	-2.7	12.1
Gov't purchases of goods & services	5.2	4.5	6.7	9.2	8.1	11.9	10.2	7.8
Federal	.0	-2.6	1.5	7.5	1.6	9.7	11.0	8.4
Defense	.1	-4.8	-4.6	5.1	- .5	5.8	9.1	7.7
Other	- .5	5.9	22.7	13.6	7.0	18.6	14.9	9.8
State and local	10.3	10.9	10.8	10.4	12.6	13.3	9.7	7.5
GNP in constant (1958) dollars	2.7	- .4	3.3	6.2	5.9	- 2.1	-3.0	5.9
Final purchases	2.7	- .1	3.1	6.0	5.5	- 1.9	-.9	4.1
Private	3.7	1.1	3.9	6.7	6.5	- 2.6	-1.6	4.5
GNP implicit deflator	4.8	5.5	4.6	3.4	5.6	10.3	8.8	5.5
Private GNP fixed weighted index ^{1/}	4.7	4.8	4.3	3.3	6.3	11.4	9.3	6.0
Personal income	9.0	7.6	6.9	9.4	11.7	9.1	7.9	10.7
Wage and salary disbursements	9.6	6.3	5.8	9.3	10.4	8.6	4.6	9.7
Disposable income	7.3	9.0	7.9	7.5	12.6	8.4	9.3	9.7
Corporate profits before tax	-3.1	-12.8	13.0	18.7	23.7	14.7	-13.0	27.2
Federal Government receipts and expenditures (N.I.A. basis)								
Receipts	12.7	-2.7	3.4	14.5	13.8	12.6	-1.9	17.7
Expenditures	4.2	7.8	8.0	11.1	8.0	13.2	19.5	11.3
Nonfarm payroll employment	3.7	.7	.4	3.5	4.2	2.0	-1.7	2.3
Manufacturing	2.0	-4.1	-4.0	2.8	5.0	-.2	-8.0	3.3
Industrial production	4.7	-3.6	.1	7.9	9.0	-.7	-9.2	7.7
Housing starts, private	-2.7	-2.3	43.2	14.9	-13.2	-34.6	-11.9	33.9
Sales new autos	- .6	-12.3	21.9	6.7	4.7	-22.5	-1.8	17.1
Domestic models	-1.8	-15.9	21.9	7.4	3.7	-23.0	-4.7	19.7
Foreign models	9.0	15.5	21.8	3.3	9.8	-20.1	14.1	4.9

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

Part 2

November 12, 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)

November 12, 1975

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

FEDERAL BUDGET
(In billions of dollars)

	Fiscal Year 1975*	Fiscal Year 1976 e/			Calendar Years		F.R.B. Staff Estimates Calendar Quarters					
		Admin.	Cong.	F.R.	1974	1975	1975				1976	
		Est. 1/	Est. 2/	Board	Actual	FRBe/	I*	II*	III*	IV	I	II
		Unadjusted data										
Federal Budget--Unified												
Surplus/deficit	-43.6	-67.6	-68.8	-69.2	-10.9	-71.0	-18.0	-12.0	-18.5	-22.5	-26.1	-2.1
Receipts	281.0	299.0	298.2	300.8	280.5	281.6	65.1	76.1	72.3	68.1	66.2	94.0
Outlays	324.6	366.6	367.0	370.0	291.4	352.6	83.1	88.1	90.8	90.6	92.3	96.1
Means of financing:												
Net borrowing from the public	50.9	n.a.	n.a.	75.9	11.8	82.5	19.4	16.6	23.5	23.0	23.5	5.9
Decrease in cash operating balance	1.6	n.a.	n.a.	1.6	4.5	-1.6	-7	-1.0	-3.0	3.1	2.4	-1.0
Off-budget deficit 3/	-9.5	n.a.	n.a.	-9.8	-3.6	-11.8	-5.3	-2.5	-8	-3.2	-3.0	-2.8
Other 4/	.6	n.a.	n.a.	1.6	-1.7	1.9	4.6	-1.1	-1.2	-.4	3.2	--
Cash operating balance, end of period	7.6	n.a.	n.a.	6.0	5.9	7.4	6.6	7.6	10.5	7.4	5.0	6.0
Memò: Sponsored agency borrowing 5/	10.8	n.a.	n.a.	n.e.	16.6	2.8	.1	-.2	.8	2.1	2.0	n.e.
NIA Budget							Seasonally adjusted, annual rates					
Surplus/deficit	-47.2 ^{P/}	n.a.	n.a.	-64.5 ^{6/}	-8.1	-71.8	-54.4	-103.2	-66.8 ^{P/}	-62.8	-62.9	-61.7
Receipts	282.8 ^{6/}	n.a.	n.a.	313.4 ^{6/}	291.1	285.5	284.1	251.8	295.1 ^{P/}	311.1	321.2	329.9
Expenditures	330.0 ^{P/}	n.a.	n.a.	377.9	299.1	357.3	338.5	355.0	361.9 ^{P/}	373.9	384.1	391.6
High Employment surplus/deficit (NIA basis) 7/ 8/	3.8	n.a.	n.a.	-10.8	18.8	-12.0	10.2	-35.9	-10.0	-12.4	-11.2	-9.4
* Actual	e--projected	n.e.--not estimated			n.a.--not available		p--preliminary					

1/ Revised estimates contained in Administration's FY 1977 Current Services Budget, November 10, 1975.

2/ Concurrent Budget Resolution, May 14, 1975.

3/ Deficit of off-budget Federal agencies, i.e., Federal Financing Bank, Postal Service, Export-Import Bank, Rural Electrification and Telephone revolving fund, Housing for the Elderly or Handicapped Fund, and Pension Benefit Guaranty Corporation.

4/ Checks issued less checks paid, accrued items, and other transactions.

5/ 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.

6/ 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.

7/ Estimated by F.R. Board staff.

8/ The high-employment budget estimates now fully incorporate taxes on inventory profits beginning 1973.

SECURITY OFFERINGS
(Monthly or monthly averages, in millions of dollars)

	1975					
	H1	QIII ^{e/}	Sept. ^{e/}	Oct. ^{e/}	Nov. ^{f/}	Dec. ^{f/}
<u>Gross offerings</u>						
Corporate securities--Total	5,155	3,383	3,450	4,500	3,700	3,400
Publicly-offered bonds	3,556	1,833	1,400	2,300	1,800	1,600
Utility	1,005	740	810	875	900	800
Industrial	2,046	587	345	1,150		
Other	505	506	245	275	900	800
Privately-placed bonds	650	733	1,000	700	700	1,000
Stocks	949	817	1,050	1,500	1,200	800
Foreign securities ^{1/}	382	408	300	102	950	300
State and local government securities						
Long-term	2,543	2,789	2,112	2,246	1,800	1,700
Short-term	2,828	1,808	2,526	2,547	2,000	2,200
<u>Net offerings</u>						
U.S. Treasury ^{2/}	6,010	7,817 ^{a/}	8,463 ^{a/}	12,000	4,800	6,200
Sponsored Federal agencies	-20	291	28	1,267	146	502

^{e/} Estimated.

^{f/} Forecast.

^{a/} Actual.

^{1/} Includes issues of foreign private and official institutions.

^{2/} Total Treasury issues, including Federal Financing Bank.

Table 1. GROWTH OF REAL GNP IN MAJOR FOREIGN INDUSTRIAL COUNTRIES
(percentage changes from preceding period; SAAR)

	Average 1960-1973	1974	1975 ^e	1976 ^e	1975		1976	
					H1	H2 ^e	H1 ^e	H2 ^e
France ^{a/}	5.9	3.9	-2.0	2.5	-5.0	2.3	2.7	2.5
Germany	4.9	0.4	-4.1	3.0 ^{b/}	-7.1	0.9	3.6 ^{b/}	4.0 ^b
Italy ^{a/}	5.6	3.2	-4.5	1.0	-5.7	0.2	0.8	2.2
United Kingdom ^{a/}	3.3	0.2	-2.3	-0.2	-4.5	-5.1	1.3	1.8
Japan	10.9	-1.8	1.5	4.5	-0.2	3.6	4.7	5.3
Canada	5.1	2.8	-0.8	4.7	-2.7	3.3	5.2	5.0
Total of above ^{c/}	6.7	0.8	-1.7	2.9	-4.0	1.4	3.4	3.8

^{e/} These forecasts, prepared by the Secretariat of the OECD, represent the mid-point of an approximately 3 percentage point range.

^{a/} GDP

^{b/} OECD forecasts of GNP growth in Germany in 1976 are being revised; these figures represent our best estimate of what the revised forecasts will be.

^{c/} 1974 weights and exchange rates.

Table 2. GNP "GAP" IN MAJOR FOREIGN COUNTRIES

	Level of GNP(1973H2 = 100) 1976H2				Gap of forecast GNP in 1976H2(per cent)	
	1975H2 ^{a/}	Forecast ^{a/}	Potential ^{b/}	Adjusted Potential ^{b/}	From Potential ^{b/}	From Adjusted Potential ^{b/}
France ^{c/}	100.7	103.3	118.8	115.4	-13.0	-10.5
Germany	96.0	99.7	115.4	112.2	-13.6	-11.1
Italy ^{c/}	95.9	97.3	117.8	114.4	-17.4	-14.9
United Kingdom ^{c/}	96.2	97.7	110.2	107.1	-11.3	-8.8
Japan	100.3	105.4	136.4	122.2	-22.7	-13.7
Canada	103.0	108.3	116.1	112.8	-6.7	-4.0
Total of above ^{d/}	98.7	102.2	121.6	115.2	-15.6	-11.2

^{a/} Based on forecasts prepared by the OECD Secretariat (see Table 1.)

^{b/} See accompanying text for an explanation of the GNP gaps shown in this table.

^{c/} GDP

^{d/} 1974 weights and exchange rates.

CONFIDENTIAL (FR)
CLASS II - FOMC

November 14, 1975

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

Energy legislation. On Wednesday of this week House and Senate conferees passed an omnibus energy bill which decontrols all oil prices over a 40-month period. The bill provides that the composite price of domestic crude oil would be rolled back to \$7.66 a barrel from the current \$8.75 and then allowed to increase at a 10 per cent per year rate. The bill also requires the President to remove the \$2 fee on imported crude oil. These provisions would result in an average decrease of 3-1/2 cents per gallon in the prices of gasoline and other refined petroleum products. Gasoline prices would subsequently regain their current levels within two years and would be higher by about 3-1/2 cents at the end of the 40-month period. Other provisions of the bill allow the President to retain or modify the two tier price structure of present controls and to include or partially to exclude from controls Alaskan oil when it comes into production in 1977.

The Domestic Financial Situation

No textual addendums to the Greenbook were required, but the usual updating of interest rate developments is contained in the table on page 7.

CORRECTIONS:

Part I, p. I - 8: GROSS NATIONAL PRODUCT AND RELATED ITEMS

Housing starts, private (millions, A.R.)
1976 - III 1.60

Part I, p. I - 9: CHANGES IN GROSS NATIONAL PRODUCT AND RELATED ITEMS

Top bank of figures are:

Billions of Dollars, based on seasonally adjusted annual rate figures.

Housing starts, private

1976 - III 13.5 per cent per year

IV .0 per cent per year

Part I, p. I - 10: GROSS NATIONAL PRODUCT AND RELATED ITEMS

Housing starts, private (millions, A.R.)

1976 1.56

Part I, P. I - 11: CHANGES IN GROSS NATIONAL PRODUCT AND RELATED ITEMS

Housing starts, private

1976 32.4 per cent