

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

April 24, 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 | 1967 | | | | 1968 | |
|--|-------|--------|--------|--------|--------|--------|---------|--------|
| | | | I | II | III | IV | Ip | II |
| Gross National Product | 743.3 | 785.0 | 766.3 | 775.1 | 791.2 | 807.3 | 827.3 | 848.8 |
| Final sales | 729.9 | 779.8 | 759.2 | 774.6 | 787.4 | 798.1 | 823.4 | 842.3 |
| Private purchases | 575.6 | 603.5 | 588.8 | 599.6 | 609.2 | 616.4 | 635.9 | 649.5 |
| Personal consumption expenditures | 465.9 | 491.7 | 480.2 | 489.7 | 495.3 | 501.8 | 517.8 | 530.2 |
| Durable goods | 70.3 | 72.1 | 69.4 | 72.5 | 72.7 | 73.8 | 77.9 | 80.0 |
| Nondurable goods | 207.5 | 217.5 | 214.2 | 217.2 | 218.5 | 220.3 | 228.0 | 234.0 |
| Services | 188.1 | 202.1 | 196.6 | 200.0 | 204.1 | 207.7 | 211.9 | 216.2 |
| Gross private domestic investment | 118.0 | 112.1 | 110.4 | 105.1 | 112.2 | 120.8 | 119.4 | 122.3 |
| Residential construction | 24.4 | 24.4 | 21.4 | 23.1 | 25.6 | 27.6 | 28.3 | 28.3 |
| Business fixed investment | 80.2 | 82.6 | 81.9 | 81.5 | 82.8 | 84.0 | 87.2 | 87.5 |
| Change in business inventories | 13.4 | 5.2 | 7.1 | .5 | 3.8 | 9.2 | 3.9 | 6.5 |
| Nonfarm | 13.7 | 4.8 | 7.3 | .6 | 3.4 | 7.7 | 3.0 | 6.0 |
| Net Exports | 5.1 | 4.8 | 5.3 | 5.3 | 5.4 | 3.0 | 2.6 | 3.5 |
| Gov't purchases of goods & services | 154.3 | 176.3 | 170.4 | 175.0 | 178.2 | 181.7 | 187.5 | 192.8 |
| Federal | 77.0 | 89.9 | 87.1 | 89.5 | 90.9 | 92.2 | 95.7 | 98.8 |
| Defense | 60.5 | 72.5 | 70.2 | 72.5 | 73.3 | 74.2 | 76.6 | 79.0 |
| Other | 16.5 | 17.4 | 16.8 | 17.0 | 17.6 | 18.0 | 19.1 | 19.8 |
| State and local | 77.2 | 86.4 | 83.3 | 85.4 | 87.4 | 89.5 | 91.9 | 94.0 |
| Gross National Product in constant (1958) dollars | 652.6 | 669.3 | 660.7 | 664.7 | 672.0 | 679.6 | 689.7 | 700.5 |
| GNP Implicit deflator (1958=100) | 113.9 | 117.3 | 116.0 | 116.6 | 117.7 | 118.8 | 120.0 | 121.2 |
| Personal income | 584.0 | 626.4 | 612.9 | 619.1 | 631.0 | 642.5 | 658.7 | 674.2 |
| Wages and salaries | 394.6 | 423.8 | 414.7 | 418.3 | 426.2 | 435.9 | 447.5 | 457.0 |
| Disposable income | 508.8 | 544.7 | 532.7 | 540.0 | 548.2 | 557.9 | 571.8 | 585.3 |
| Personal saving | 29.8 | 38.7 | 38.8 | 36.0 | 38.5 | 41.6 | 39.1 | 40.0 |
| Saving rate (per cent) | 5.9 | 7.1 | 7.3 | 6.7 | 7.0 | 7.5 | 6.8 | 6.8 |
| Corporate profits before tax | 83.8 | 80.8 | 79.0 | 78.9 | 80.0 | 85.1 | 89.2* | 95.0 |
| Federal government receipts and expenditures (N.I.A. basis) | | | | | | | | |
| Receipts | 143.2 | 151.8 | 149.1 | 148.1 | 152.7 | 157.3 | 164.6* | 168.7 |
| Expenditures | 142.9 | 164.3 | 160.9 | 162.8 | 165.9 | 167.9 | 174.8 | 183.2 |
| Surplus or deficit (-) | .3 | - 12.5 | - 11.9 | - 14.7 | - 13.2 | - 10.6 | - 10.2* | - 14.5 |
| Total labor force (millions) | 78.9 | 80.8 | 80.3 | 80.3 | 81.1 | 81.6 | 81.9 | 82.4 |
| Armed forces " | 3.1 | 3.4 | 3.4 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 |
| Civilian labor force " | 75.8 | 77.3 | 76.8 | 76.8 | 77.6 | 78.2 | 78.4 | 78.9 |
| Unemployment rate (per cent) | 3.8 | 3.8 | 3.7 | 3.8 | 3.9 | 3.9 | 3.6 | 3.5 |
| Nonfarm payroll employment (millions) | 64.0 | 66.1 | 65.7 | 65.7 | 66.1 | 66.8 | 67.6 | 68.2 |
| Manufacturing | 19.2 | 19.3 | 19.5 | 19.3 | 19.2 | 19.4 | 19.5 | 19.7 |
| Industrial production (1957-59=100) | 156.3 | 157.8 | 157.1 | 155.9 | 157.2 | 159.5 | 161.6 | 164.3 |
| Capacity utilization, manufacturing (per cent) | 90.5 | 85.1 | 87.1 | 84.9 | 84.1 | 84.4 | 84.1 | 84.5 |
| Housing starts, private (millions A. R.) | 1.17 | 1.29 | 1.12 | 1.21 | 1.41 | 1.44 | 1.49 | 1.38 |
| Sales new U.S.-made autos (millions, A. R.) | 8.38 | 7.57 | 7.16 | 8.11 | 7.57 | 7.44 | 8.20 | 8.50 |

*Projected

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

| | 1966 | 1967 | 1967 | | | | 1968 | |
|---|-------|-------|-------|-------|-------|-------|-------|-------------|
| | | | I | II | III | IV | Ip | Proj. II |
| -----In Billions of Dollars----- | | | | | | | | |
| Gross National Product | 59.4 | 41.7 | 4.2 | 8.8 | 16.1 | 16.1 | 20.0 | 21.5 |
| Final sales | 55.4 | 49.9 | 15.6 | 15.4 | 12.8 | 10.7 | 25.3 | 18.9 |
| Private purchases | 37.5 | 27.9 | 6.9 | 10.8 | 9.6 | 7.2 | 19.5 | 13.6 |
| GNP in constant (1958) dollars | 35.9 | 16.7 | - .4 | 4.0 | 7.3 | 7.6 | 10.1 | 10.8 |
| Final sales | 32.1 | 24.6 | 10.1 | 10.3 | 4.2 | 2.5 | 15.1 | 8.7 |
| Private purchases | 21.9 | 10.4 | 3.7 | 7.1 | 3.0 | 1.7 | 11.8 | 6.0 |
| ---In Per Cent; Quarterly Changes are at Annual Rates--- | | | | | | | | |
| Gross National Product | 8.7 | 5.6 | 2.2 | 4.6 | 8.3 | 8.1 | 9.9 | 10.4 |
| Final sales | 8.2 | 6.8 | 8.4 | 8.1 | 6.6 | 5.4 | 12.7 | 9.2 |
| Private purchases | 7.0 | 4.8 | 4.7 | 7.3 | 6.4 | 4.7 | 12.7 | 8.6 |
| Personal consumption expenditures | 7.6 | 5.5 | 5.4 | 7.9 | 4.6 | 5.2 | 12.8 | 9.6 |
| Durable goods | 6.5 | 2.6 | - 6.8 | 17.9 | 1.1 | 6.1 | 22.2 | 10.8 |
| Nondurable goods | 8.5 | 4.8 | 7.4 | 5.6 | 2.4 | 3.3 | 14.0 | 10.5 |
| Services | 6.9 | 7.4 | 7.7 | 6.9 | 8.2 | 7.1 | 8.1 | 8.1 |
| Gross private domestic investment | 9.9 | - 5.0 | -38.6 | -19.2 | 27.0 | 30.7 | - 4.6 | 9.7 |
| Residential construction | - 9.6 | 0.0 | 9.6 | 31.8 | 43.3 | 31.2 | 10.1 | 0.0 |
| Business fixed investment | 12.8 | 3.0 | - 4.3 | - 2.0 | 6.4 | 5.8 | 15.2 | 1.4 |
| Gov't purchases of goods & services | 13.1 | 14.3 | 21.5 | 10.8 | 7.3 | 7.9 | 12.8 | 11.3 |
| Federal | 15.3 | 16.8 | 27.5 | 11.0 | 6.3 | 5.7 | 15.2 | 13.0 |
| Defense | 20.8 | 19.8 | 28.0 | 13.1 | 4.4 | 4.9 | 12.9 | 12.5 |
| Other | - 1.2 | 5.5 | 22.6 | 4.8 | 14.1 | 9.1 | 24.4 | 14.7 |
| State & local | 10.9 | 11.9 | 15.5 | 10.1 | 9.4 | 9.6 | 10.7 | 9.1 |
| GNP in constant (1958) dollars | 5.8 | 2.6 | - .2 | 2.4 | 4.4 | 4.5 | 5.9 | 6.3 |
| Final sales | 5.3 | 3.8 | 6.3 | 6.3 | 2.5 | 1.5 | 9.0 | 5.1 |
| Private purchases | 4.4 | 2.0 | 2.9 | 5.5 | 2.3 | 1.3 | 8.9 | 4.4 |
| GNP Implicit deflator | 2.7 | 3.0 | 2.4 | 2.1 | 3.9 | 3.6 | 4.0 | 4.0 |
| Personal income | 8.6 | 7.3 | 7.5 | 4.0 | 7.7 | 7.3 | 10.1 | 9.4 |
| Wages and salaries | 9.9 | 7.4 | 7.2 | 3.5 | 7.6 | 9.1 | 10.6 | 8.5 |
| Disposable income | 7.8 | 7.1 | 8.2 | 5.5 | 6.1 | 7.1 | 9.9 | 9.4 |
| Corporate profits before tax | 9.5 | - 3.6 | -23.4 | - 0.5 | 5.6 | 25.5 | 19.3* | 26.0 |
| Federal government receipts and expenditures (N.I.A. basis) | | | | | | | | |
| Receipts | 14.7 | 6.0 | 1.3 | - 2.7 | 12.4 | 12.0 | 18.6* | 10.0 |
| Expenditures | 15.8 | 15.0 | 23.7 | 4.7 | 7.6 | 4.8 | 16.4 | 19.2 |
| Nonfarm payroll employment | 5.3 | 3.3 | 4.3 | 0.0 | 2.4 | 4.2 | 4.8 | 3.5 |
| Manufacturing | 6.1 | 0.5 | 0.0 | - 4.1 | - 2.1 | 4.2 | 2.1 | 4.1 |
| Industrial production | 9.0 | 1.0 | - 5.5 | - 3.1 | 3.3 | 5.9 | 5.3 | 6.7 |
| Housing starts, private | -20.4 | 10.3 | 87.0 | 32.1 | 66.1 | 8.5 | 13.9 | -29.5 |
| Sales new U.S.-made autos | - 4.4 | - 9.7 | -50.3 | 53.1 | -26.6 | - 6.9 | 30.1 | 25.0 |

*Projected

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

| | Fiscal years | | | | Calendar quarters | | | | III - 27 |
|--|--------------|--------|-------|-------------------|-------------------|----------------|-----------------|-------|----------|
| | 1966 | | 1967 | 1968 ^e | 1967 | | 1968 | | |
| | Budget Doc. | F.R.B. | | III | IV | I ^e | II ^e | | |
| <u>Quarterly data, unadjusted</u> | | | | | | | | | |
| New Budget: | | | | | | | | | |
| Surplus/deficit | -3.7 | -8.8 | -22.0 | -23.6 | -8.5 | -11.0 | -8.5 | 4.4 | |
| Receipts | 130.9 | 149.6 | 153.6 | 153.9 | 35.4 | 31.9 | 36.3 | 50.3 | |
| Total expenditures and net lending | 134.6 | 158.4 | 175.6 | 177.5 | 43.9 | 42.9 | 44.8 | 45.9 | |
| Means of financing: | | | | | | | | | |
| Total borrowing from the public | 6.0 | 3.6 | 23.0 | 22.1 | 9.0 | 10.1 | 6.4 | -3.3 | |
| Decrease in cash operating balance | .6 | 5.2 | -1.0 | .4 | -1.0 | 1.1 | .1 | .1 | |
| Other 1/ | -2.9 | -- | -- | 1.1 | .5 | -.2 | 2.0 | -1.2 | |
| Cash operating balance, end of period | 10.9 | 5.7 | 6.7 | 5.3 | 6.7 | 5.6 | 5.4 | 5.3 | |
| <u>Seasonally adjusted annual rate</u> | | | | | | | | | |
| Federal surplus/deficit | | | | | | | | | |
| in national income accounts | .9 | -7.5 | -13.2 | -13.0 | -13.2 | -10.6 | -10.2 | -14.5 | |
| Receipts 2/ | 132.9 | 147.6 | 157.9 | 160.0 | 152.7 | 157.3 | 164.6 | 168.7 | |
| Expenditures | 131.9 | 155.1 | 171.1 | 173.0 | 165.9 | 167.9 | 174.8 | 183.2 | |

e - Projections based on existing tax rates, including extension of telephone and auto taxes.

Assumes corporate tax acceleration of \$500 million in June 1968. Budget Document has been adjusted to remove surtax collections and to remove corporate tax acceleration in April.

NOTE: The quarterly data for the new budget represent preliminary adjustment to new budget concepts and may be revised later.

1/ Includes various accrual items, such as deposit fund accounts and clearing accounts.

2/ Quarterly receipts do not add to fiscal year totals.