

# **Part 1**

**January 15, 1975**

## **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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### **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)**

**January 15, 1975**

**SUMMARY AND OUTLOOK**

**By the Staff  
Board of Governors  
of the Federal Reserve System**

## STAFF GNP PROJECTIONS

	Per cent change, annual rate							
	Changes in nominal GNP (\$ billions)		Real GNP		Gross private product fixed weighted price index		Unemployment rate (per cent)	
	12/11/74	1/15/75	12/11/74	1/15/75	12/11/74	1/15/75	12/11/74	1/15/75
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	102.3	100.8	-2.0	-2.1	11.5	11.4	5.6	5.6
1975	85.1	79.7	-2.9	-3.1	9.6	8.9	7.8	8.0
1973-III <u>1/</u>	31.0	31.0	1.6	1.6	8.4	8.4	4.7	4.7
IV <u>1/</u>	35.1	35.1	2.3	2.3	9.1	9.1	4.7	4.7
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>	31.6	32.5	-2.1	-1.9	13.8	13.8	5.5	5.5
IV	15.6	7.7	-6.5	-9.0	11.9	10.4	6.5	6.5
1975-I	14.5	9.0	-4.0	-5.2	8.8	7.9	7.3	7.6
II	16.0	17.3	-3.0	-2.1	7.9	7.2	7.7	8.0
III	31.5	37.4	1.0	3.6	7.6	6.9	8.0	8.2
IV	36.5	42.8	2.8	5.0	6.5	6.1	8.1	8.1
1976-I	33.5	38.0	3.0	4.2	5.9	5.8	8.2	8.1
II	32.5	32.1	3.0	2.8	5.4	5.6	8.3	8.2
Change:								
73-IV to								
74-IV	87.0	80.0	-4.3	-4.9	12.9	12.5	1.8	1.8
74-II to								
75-II	77.7	66.5	-3.9	-4.6	10.4	9.6	2.6	2.9
74-IV to								
75-IV	98.5	106.5	- .8	.2	7.7	7.0	1.6	1.6
75-II to								
76-II	134.0	150.3	2.5	3.9	6.3	6.1	.6	.2

1/ Actual.

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

	Fiscal Year 1974*	Fiscal 1975 <sup>e/</sup> Adm. Est. <sup>1/</sup> 11-26-74	F.R. Board	Fiscal 1976 FRB e/	Calendar Years 1973 Actual			FRB e/ 1974 1975		F.R.B. Staff Estimates Calendar Quarters 1974 1975 III* IV I II			
										Unadjusted data			
Federal Budget													
Surplus/deficit	- 3.5	- 9.2	- 29.0	- 48.2	- 7.9	- 10.9	- 45.1	- 1.6	-11.9	-12.6	- 2.9		
Receipts	264.9	293.0	280.0	294.7	250.4	280.1	278.8	72.9	66.5	65.4	75.1		
Outlays	268.4	302.2	309.0	342.9	258.3	291.0	323.9	74.5	78.4	78.0	78.0		
Means of financing:													
Net borrowing from the public	3.0	n.a.	30.2	n.e.	7.9	11.8	48.7	4.5	10.3	11.3	4.1		
Decrease in cash operating balance	3.4	n.a.	2.8	n.e.	.7	- 4.5	.1	.5	2.8	--	.5		
Other <sup>2/</sup>	- 2.9	n.a.	- 4.0	n.e.	- .7	- 5.4	- 3.5	- 3.4	- 1.2	1.3	- .7		
Cash operating balance, end of period	9.2	n.a.	6.4	n.e.	10.4	5.9	6.0	8.7	5.9	5.9	6.4		
Memo: Sponsored agency borrowing <sup>3/</sup>	14.8	n.a.	14.9	n.e.	16.3	16.2	n.e.	7.7	3.0	1.8	2.4		
National Income Sector									Seasonally adjusted, annual rates				
Surplus/deficit	- 5.4 <sup>p/</sup>	n.a.	- 24.8	- 43.8	- 5.6	- 5.8	- 45.0	- 1.9	-15.6	-23.8	-55.3		
Receipts <sup>4/</sup>	272.6 <sup>p/</sup>	n.a.	292.7	309.1	258.5	291.6	291.0	302.8	296.7	299.9	273.8		
Expenditures	278.0 <sup>p/</sup>	n.a.	317.5	352.9	264.2	297.4	336.0	304.7	312.3	323.7	329.1		
High Employment surplus/deficit (NIA basis) <sup>5/</sup> p/	8.1	n.a.	8.5	18.3	1.9	10.7	5.9	8.9	15.8	14.6	- 5.3		

\* Actual e--projected n.e.--not estimated n.a.--not available p--preliminary

<sup>1/</sup> Estimates presented in the President's Message on Budget Restraint. \$302.2 billion outlay total assumes favorable Congressional action on \$4.6 billion of proposed reductions.

<sup>2/</sup> Includes such items as deposit fund accounts and clearing accounts.

<sup>3/</sup> 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.

<sup>4/</sup> Quarterly average exceeds fiscal year total by \$.6 billion for fiscal 1975 and \$1.2 billion for fiscal 1976 due to spreading of wage base effect over calendar year.

<sup>5/</sup> Estimated by F.R. Board Staff.

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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		1975				1976	
	III	IV	I	II	III	IV	I	II
Gross National Product	1416.3	1424.0	1433.0	1450.3	1487.7	1530.5	1568.5	1600.6
Final purchases	1407.6	1409.0	1431.5	1459.4	1494.7	1529.0	1561.3	1591.3
Private	1095.3	1089.8	1105.0	1127.4	1155.3	1180.0	1203.8	1225.9
Excluding net exports	1098.4	1087.6	1102.1	1124.7	1154.5	1181.7	1207.0	1229.1
Personal consumption expenditures	901.3	897.5	912.0	930.8	955.6	975.6	995.0	1012.7
Durable goods	136.1	122.5	121.5	123.5	128.5	132.5	135.5	138.5
Nondurable goods	389.0	390.0	397.0	405.8	417.1	425.1	433.5	440.2
Services	376.2	385.0	393.5	401.5	410.0	418.0	426.0	434.0
Gross private domestic investment	205.8	205.1	191.6	184.8	191.9	207.6	219.2	225.7
Residential construction	46.2	39.6	37.3	39.9	43.7	47.7	49.9	51.9
Business fixed investment	150.9	150.5	152.8	154.0	155.2	158.4	162.1	164.5
Change in business inventories	8.7	15.0	1.5	-9.1	-7.0	1.5	7.2	9.3
Nonfarm	6.6	14.5	1.5	-8.5	-7.0	1.0	7.0	9.0
Net exports of goods and services <sup>1/</sup>	-3.1	2.2	2.9	2.7	.8	-1.7	-3.2	-3.2
Exports	143.6	148.9	147.3	146.9	147.3	148.5	151.3	155.6
Imports	146.7	146.7	144.4	144.2	146.5	150.2	154.5	158.8
Gov't. purchases of goods and services	312.3	319.2	326.5	332.0	339.4	349.0	357.5	365.4
Federal	117.2	119.7	122.5	123.2	125.2	129.5	132.5	136.0
Defense	78.4	80.3	82.5	82.7	84.1	87.1	88.9	91.4
Other	38.8	39.4	40.0	40.5	41.1	42.4	43.6	44.6
State & local	195.1	199.5	204.0	208.8	214.2	219.5	225.0	229.4
Gross national product in constant (1958) dollars	823.1	803.9	793.3	789.0	796.0	805.7	814.1	819.7
GNP implicit deflator (1958 = 100)	172.1	177.1	180.6	183.8	186.9	189.9	192.7	195.3
Personal income	1168.2	1182.8	1200.8	1222.7	1254.4	1284.9	1310.6	1336.6
Wage and salary disbursements	763.0	767.5	776.5	789.9	806.7	827.7	846.6	864.7
Disposable income	993.1	1004.4	1019.7	1062.4	1088.8	1086.8	1109.1	1131.1
Personal saving	65.5	80.4	80.9	104.5	105.6	83.2	85.6	89.0
Saving rate (per cent)	6.6	8.0	7.9	9.8	9.7	7.7	7.7	7.8
Corporate profits & inventory val. adj.	105.8	99.5	97.1	84.5	92.4	99.7	104.1	106.3
Corporate profits before tax	157.0	132.0	127.0	112.0	116.5	119.5	121.0	121.0
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	302.8	296.7	299.9	273.8	275.4	314.8	323.3	327.7
Expenditures	304.7	312.3	323.7	329.1	341.2	350.1	356.9	363.4
Surplus or deficit (-)	-1.9	-15.6	-23.8	-55.3	-65.8	-35.3	-33.6	-35.7
High employment surplus or deficit (-)	8.9	15.8	14.6	-5.3	-6.2	20.5	27.8	30.9
State and local government surplus or deficit (-), (N.I.A. basis)	2.1	-.3	-1.9	-3.1	-2.4	-.4	-.8	-.5
Total labor force (millions)	93.6	94.0	94.2	94.4	94.7	94.8	95.0	95.3
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	92.0	92.2	92.5	92.6	92.8	93.1
Unemployment rate (per cent)	5.5	6.5	7.6	8.0	8.2	8.1	8.1	8.2
Nonfarm payroll employment (millions)	78.7	78.3	77.6	77.4	77.5	77.6	77.8	78.0
Manufacturing	20.1	19.6	18.7	18.4	18.3	18.3	18.4	18.4
Industrial production (1967 = 100)	125.4	121.6	118.8	117.6	119.2	121.5	123.7	124.9
Capacity utilization, mfg. (per cent)	79.4	79.6	73.6	72.1	72.4	73.1	73.7	73.7
Major materials (per cent)	88.5	80.6	76.9	74.4	74.9	76.3	77.3	77.6
Housing starts, private (millions, A.R.)	1.21	1.04	1.10	1.25	1.50	1.56	1.61	1.50
Sales new autos (millions, A.R.)	10.03	7.38	7.50	7.75	8.50	9.00	9.50	9.50
Domestic models	8.48	6.05	6.25	6.35	7.00	7.50	8.00	8.00
Foreign models	1.55	1.33	1.25	1.40	1.50	1.50	1.50	1.50
1/ Net exports of g. & s. (Bal. of Paymts.)	-1.4 <sup>2/</sup>	3.9 <sup>2/</sup>	4.6 <sup>2/</sup>	4.4 <sup>2/</sup>	2.5	.0	-1.5	-1.5
Exports	146.4 <sup>2/</sup>	151.7 <sup>2/</sup>	150.1 <sup>2/</sup>	149.7 <sup>2/</sup>	150.1	151.3	154.1	158.4
Imports	147.8	147.8	145.5	145.3	147.6	151.3	155.6	159.9

<sup>2/</sup> Includes shipments of military equipment and supplies to Israel which are not included in GNP exports; amounts are: 1974-III, \$.3 billion; 1974-IV, \$.4 billion, 1975-I and II \$.3 billion.

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CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1974		1975				1976	
	III	IV	I	II	III	IV	I	II
-----Billions of Dollars-----								
Gross National Product	32.5	7.7	9.0	17.3	37.4	42.8	38.0	32.1
Inventory change	-4.8	6.3	-13.5	-10.6	2.1	8.5	5.7	2.1
Final purchases	37.3	1.4	22.5	27.9	35.3	34.3	32.3	30.0
Private	29.4	-5.5	15.2	22.4	27.9	24.7	23.8	22.1
Net exports	-1.6	5.3	.7	-.2	-1.9	-2.5	-1.5	.0
Excluding net exports	31.0	-10.8	14.5	22.6	29.8	27.2	25.3	22.1
Personal consumption expenditures	32.2	-3.8	14.5	18.8	24.8	20.0	19.4	17.7
Durable goods	6.6	-13.6	-1.0	2.0	5.0	4.0	3.0	3.0
Nondurable goods	13.2	1.0	7.0	8.8	11.3	8.0	8.4	6.7
Services	12.4	8.8	8.5	8.0	8.5	8.0	8.0	8.0
Residential fixed investment	-2.6	-6.6	-2.3	2.6	3.8	4.0	2.2	2.0
Business fixed investment	1.5	-.4	2.3	1.2	1.2	3.2	3.7	2.4
Government	7.9	6.9	7.3	5.5	7.4	9.6	8.5	7.9
Federal	2.9	2.5	2.8	.7	2.0	4.3	3.0	3.5
State and local	5.0	4.4	4.5	4.8	5.4	5.3	5.5	4.4
GNP in constant (1958) dollars	-4.0	-19.2	-10.6	-4.3	7.0	9.7	8.4	5.6
Final purchases	11.3	.4	6.5	8.0	10.0	9.5	8.7	7.9
Private	11.5	-2.0	5.7	8.4	10.3	8.8	8.3	7.5
-----In Per Cent Per Year <sup>1/</sup> -----								
Gross National Product	9.7	2.2	2.6	4.9	10.7	12.0	10.3	8.4
Final purchases	11.3	.4	6.5	8.0	10.0	9.5	8.7	7.9
Private	11.5	-2.0	5.7	8.4	10.3	8.8	8.3	7.5
Personal consumption expenditures	15.7	-1.7	6.6	8.5	11.1	8.6	8.2	7.3
Durable goods	22.0	-34.4	-3.2	6.7	17.2	13.0	9.4	9.2
Nondurable goods	14.8	1.0	7.4	9.2	11.6	7.9	8.1	6.3
Services	14.3	9.7	9.1	8.4	8.7	8.0	7.9	7.7
Gross private domestic investment	-10.9	-1.4	-23.8	-13.5	16.3	37.0	24.3	12.4
Residential structures	-19.7	-46.0	-21.3	30.9	43.9	42.0	19.8	17.0
Business fixed investment	4.1	-1.1	6.3	3.2	3.2	8.5	9.7	6.1
Gov't. purchases of goods and services	10.8	9.1	9.5	6.9	9.2	11.8	10.1	9.1
Federal	10.5	8.8	9.7	2.3	6.7	14.5	9.6	11.0
Defense	9.7	10.1	11.4	1.0	6.9	15.1	8.5	11.7
Other	12.2	6.3	6.2	5.1	6.1	13.3	11.8	9.5
State and local	10.9	9.3	9.3	9.7	10.8	10.3	10.4	8.1
GNP in constant (1958) dollars	-1.9	-9.0	-5.2	-2.1	3.6	5.0	4.2	2.8
Final purchases	-.4	-11.3	-.8	1.9	2.5	1.8	1.8	2.0
Private	-.5	-12.8	-1.5	2.4	2.7	2.0	1.9	1.9
GNP implicit deflator <sup>3/</sup>	11.9	12.3 <sup>2/</sup>	8.2 <sup>2/</sup>	7.2	6.9	6.7 <sup>2/</sup>	5.9 <sup>2/</sup>	5.5
Private GNP fixed weighted index	13.8	10.4	7.9	7.2	6.9	6.1	5.8	5.6
Personal income	12.4	5.1	6.2	7.5	10.8	10.1	8.2	8.2
Wage and salary disbursements	9.9	2.4	4.8	7.1	8.8	10.8	9.5	8.8
Disposable income	11.5	4.6	6.2	17.8	10.3	-.7	8.5	8.2
Corporate profits before tax	62.8	-50.0	-14.3	-39.5	17.1	10.7	5.1	.0
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	21.2	-7.8	4.4	-30.5	2.4	70.7	11.2	5.6
Expenditures	19.2	10.4	15.4	6.8	15.5	10.8	8.0	7.5
Nonfarm payroll employment	1.6	-2.0	-3.5	-1.0	.5	.5	1.0	1.0
Manufacturing	-.4	-9.6	-17.1	-6.3	-2.2	.0	2.2	.0
Industrial production	-.1	-11.8	-8.8	-4.2	5.6	8.1	7.3	3.9
Housing starts, private	-64.7	-45.4	25.2	66.8	107.4	17.0	13.4	-24.7
Sales new autos	41.1	-70.8	6.7	14.0	44.7	25.7	24.1	.0
Domestic models	29.5	-74.2	13.9	6.6	47.7	31.8	29.5	.0
Foreign models	38.1	-46.1	-22.0	57.4	31.8	.0	.0	.0

<sup>1/</sup> Percentage rates are annual rates compounded quarterly.<sup>2/</sup> Excluding Federal pay increases rates of change are: 1974-IV, 11.7 per cent; 1975-I, 8.0 per cent; 1975-IV, 6.0 per cent; and 1976-I, 5.7 per cent.<sup>3/</sup> Using expenditures in 1967 as weights.

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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.)

	1969	1970	1971	1972	1973	1974	1975
						---Projected---	
Gross National Product	930.3	977.1	1054.9	1158.0	1294.9	1395.7	1475.4
Final purchases	922.5	972.6	1048.6	1149.5	1279.6	1382.2	1478.7
Private	712.5	753.1	814.4	893.8	1003.2	1074.2	1141.9
Excluding net exports	710.6	749.5	814.6	899.8	999.3	1071.9	1140.8
Personal consumption expenditures	579.5	617.6	667.1	729.0	805.2	877.1	943.5
Durable goods	90.8	91.3	103.9	118.4	130.3	128.0	126.5
Nondurable goods	245.9	263.8	278.4	299.7	338.0	379.8	411.3
Services	242.7	262.6	284.8	310.9	336.9	369.4	405.8
Gross private domestic investment	139.0	136.3	153.7	179.3	209.4	208.3	194.0
Residential construction	32.6	31.2	42.8	54.0	57.2	45.8	42.2
Business fixed investment	98.5	100.6	104.6	116.8	136.8	149.0	155.1
Change in business inventories	7.8	4.5	6.3	8.5	15.4	13.5	-3.3
Nonfarm	7.7	4.3	4.9	7.8	11.4	11.2	-3.3
Net exports of goods and services <sup>1/</sup>	1.9	3.6	- .2	-6.0	3.9	2.2	1.2
Exports	55.5	62.9	65.4	72.4	100.4	140.6	147.5
Imports	53.6	59.3	65.6	78.4	96.4	138.3	146.3
Gov't. purchases of goods and services	210.0	219.5	234.2	255.7	276.4	308.1	336.7
Federal	98.8	96.2	97.6	104.9	106.6	115.7	125.1
Defense	78.4	74.6	71.2	74.8	74.4	77.8	84.1
Other	20.4	21.6	26.5	30.1	32.2	37.9	41.0
State & local	111.2	123.3	136.6	150.8	169.8	192.4	211.6
Gross national product in constant (1958) dollars	725.6	722.5	746.3	792.5	839.2	821.2	796.0
GNP implicit deflator (1958 = 100)	128.2	135.2	141.4	146.1	154.3	170.0	185.3
Personal income	750.9	808.3	864.0	944.9	1055.0	1149.5	1240.7
Wage and salary disbursements	509.7	542.0	573.0	626.8	691.7	750.8	800.2
Disposable income	634.4	691.7	746.4	802.5	903.7	978.7	1064.4
Personal saving	38.2	56.2	60.5	52.6	74.4	75.5	93.6
Saving rate (per cent)	6.0	8.1	8.1	6.6	8.2	7.7	8.8
Corporate profits & inventory val. adj.	79.8	69.2	78.7	92.2	105.1	104.7	93.4
Corporate profits before tax	84.9	74.0	83.6	99.2	122.7	140.9	118.8
Federal government receipts and expenditures, (N.I.A. basis)							
Receipts	197.3	192.0	198.5	227.2	258.5	291.6	291.0
Expenditures	189.2	203.9	220.3	244.7	264.2	297.4	336.0
Surplus or deficit (-)	8.1	-11.9	-21.9	-17.5	-5.6	-5.8	-45.1
High employment surplus or deficit (-)	8.8	6.2	2.6	-3.4	1.9	10.7	5.9
State and local government surplus or deficit (-), (N.I.A. basis)	.7	1.8	3.4	12.3	9.2	1.8	-2.0
Total labor force (millions)	84.2	85.9	86.9	89.0	91.0	93.3	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	91.1	92.3
Unemployment rate (per cent)	3.5	4.9	5.9	5.6	4.9	5.6	8.0
Nonfarm payroll employment (millions)	70.4	70.9	71.2	73.7	76.8	78.3	77.5
Manufacturing	20.2	19.3	18.6	19.1	20.1	20.0	18.4
Industrial production (1967 = 100)	110.7	106.7	106.8	115.2	125.6	124.3	119.3
Capacity utilization, mfg. (per cent)	86.5	78.3	75.0	78.6	83.0	79.0	72.8
Major materials (per cent)	90.0	86.2	85.3	89.6	93.0	87.4	75.6
Housing starts, private (millions, A.R.)	1.47	1.43	2.05	2.36	2.05	1.36	1.35
Sales new autos (millions, A.R.)	9.57	8.40	10.24	10.93	11.44	8.87	8.19
Domestic models	8.46	7.12	8.68	9.32	9.67	7.45	6.78
Foreign models	1.11	1.28	1.56	1.61	1.77	1.42	1.41
<sup>1/</sup> Net exports of g. & s. (Bal. of Paymts.)	1.3	2.9	- .2	-6.0	4.4 <sup>2/</sup>	3.4 <sup>2/</sup>	2.9 <sup>2/</sup>
Exports	55.0	62.3	65.4	72.4	101.0 <sup>2/</sup>	142.9 <sup>2/</sup>	150.3 <sup>2/</sup>
Imports	53.6	59.4	65.6	78.4	96.6	139.5	147.4

<sup>2/</sup> Includes shipments of military equipment and supplies to Israel which are not included in GNP exports; amounts are 1973, \$.6 billion; 1974, \$.325 billion; and 1975, \$.150 billion.

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1969	1970	1971	1972	1973	Projected	
						1974	1975
-----Billions of Dollars-----							
Gross National Product	66.1	46.8	77.8	103.1	136.9	100.8	79.7
Inventory change	.7	-3.3	1.8	2.2	6.9	-1.9	-16.8
Final purchases	65.4	50.1	76.0	100.9	130.1	102.6	96.5
Private	55.0	40.6	61.3	79.4	109.4	71.0	67.7
Net exports	- .6	1.7	-3.8	-5.8	9.9	-1.7	-1.0
Excluding net exports	55.6	38.9	65.1	85.2	99.5	72.6	68.9
Personal consumption expenditures	43.3	38.1	49.6	61.8	76.2	71.9	66.4
Durable goods	6.8	.5	12.6	14.5	11.9	-2.3	-1.5
Nondurable goods	15.1	17.9	14.6	21.6	38.3	41.8	31.5
Services	21.4	19.9	22.2	26.1	26.0	32.5	36.4
Residential fixed investment	2.5	-1.4	11.6	11.2	3.2	-11.4	-3.6
Business fixed investment	9.7	2.1	4.0	12.2	20.0	12.2	6.1
Government	10.4	9.5	14.7	21.5	20.7	31.7	28.6
Federal	.0	-2.6	1.4	7.3	1.7	9.1	9.4
State and local	10.4	12.1	13.3	14.2	19.0	22.6	19.2
GNP in constant (1958) dollars	19.0	-3.1	23.8	46.2	46.7	-18.0	-25.2
Final purchases	18.7	- .4	-22.5	-44.4	43.0	-15.7	-14.2
Private	20.6	6.2	18.5	46.1	45.2	-16.8	-14.3
-----Per Cent Per Year <sup>1/</sup> -----							
Gross National Product	7.6	5.0	8.0	9.8	11.8	7.8	5.7
Final purchases	7.6	5.4	7.8	9.6	11.3	8.0	7.0
Private	8.4	5.7	8.1	9.7	12.2	7.1	6.3
Personal consumption expenditures	8.1	6.6	8.0	9.3	10.5	8.9	7.6
Durable goods	8.1	.6	13.8	14.0	10.1	-1.8	-1.2
Nondurable goods	6.5	7.3	5.5	7.7	12.8	12.4	8.3
Services	9.7	8.2	8.5	9.2	8.4	9.6	9.9
Gross private domestic investment	10.3	-1.9	12.8	16.7	16.8	- .5	-6.9
Residential structures	8.3	-4.3	37.2	26.2	5.9	-19.9	-7.9
Business fixed investment	10.9	2.1	4.0	11.7	17.1	8.9	4.1
Gov't purchases of goods & services	5.2	4.5	6.7	9.2	8.1	11.5	9.3
Federal	.0	-2.6	1.5	7.5	1.6	8.5	8.1
Defense	.1	-4.8	-4.6	5.1	- .5	4.6	8.0
Other	- .5	5.9	22.7	13.6	7.0	17.7	8.2
State and local	10.3	10.9	10.8	10.4	12.6	13.3	10.0
GNP in constant (1958) dollars	2.7	- .4	3.3	6.2	5.9	-2.1	-3.1
Final purchases	2.7	- .1	3.1	6.0	5.5	-1.9	-1.7
Private	3.7	1.1	3.9	6.7	6.5	-2.5	-2.1
GNP implicit deflator	4.8	5.5	4.6	3.4	5.6	10.2	9.0
Private GNP fixed weighted index <sup>2/</sup>	4.7	4.8	4.3	3.3	6.3	11.4	8.9
Personal income	9.0	7.6	6.9	9.4	11.7	9.0	7.9
Wage and salary disbursements	9.6	6.3	5.8	9.3	10.4	8.5	6.6
Disposable income	7.3	9.0	7.9	7.5	12.6	8.3	8.8
Corporate profits before tax	-3.1	-12.8	13.0	18.7	23.7	14.8	-15.7
Federal Government receipts and expenditures (N.I.A. basis)							
Receipts	12.7	-2.7	3.4	14.5	13.8	12.8	- .2
Expenditures	4.2	7.8	8.0	11.1	8.0	12.6	13.0
Nonfarm payroll employment	3.7	.7	.4	3.5	4.2	2.0	-1.0
Manufacturing	2.0	-4.1	-4.0	2.8	5.0	- .5	-8.0
Industrial production	4.7	-3.6	.1	7.9	9.0	-1.0	-4.1
Housing starts, private	-2.7	-2.3	43.2	14.9	-13.2	-33.7	- .7
Sales new autos	- .6	-12.3	21.9	6.7	4.7	-22.5	-7.7
Domestic models	-1.8	-15.9	21.9	7.4	3.7	-23.0	-9.0
Foreign models	9.0	15.5	21.8	3.3	9.8	-19.8	- .7

<sup>1/</sup> Percentage rates are annual rates compounded quarterly.<sup>2/</sup> Using expenditures in 1967 as weights.



## **Part 2**

# **CURRENT ECONOMIC AND FINANCIAL CONDITIONS**

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**Prepared for the Federal Open Market Committee  
By the staff of the Board of Governors of the Federal Reserve System**

CONFIDENTIAL (FR)

January 15, 1975

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff  
Board of Governors  
of the Federal Reserve System

TABLE 2

SURVEY RESULTS OF ANTICIPATED PLANT  
AND EQUIPMENT EXPENDITURES  
(Per cent change from prior year)

	1974 <sup>1/</sup>	1975			
		Rinfret September Survey <sup>2/</sup>	Edie November Survey <sup>3/</sup>	McGraw- Hill Oct. Survey	Commerce Dec. Survey
All industry	12.2	14.5	8	11.8	4.6
Manufacturing	20.5	23.6	15	21.3	9.0
Durables	17.7	17.2	10	13.5	1.8
Nondurables	23.3	30.2	21	29.2	16.0
Nonmanufacturing <sup>4/</sup>	7.1	8.1	3	5.2	1.6
Railroads	26.5	32.7	26	29.1	27.7
Air & other transportation	-1.7	-11.6	27	3.7	3.0
Electric utilities	10.7	7.2	2	.0	1.2
Gas utilities	6.9	16.3	17	11.1	21.9
Communications	7.8	3.8	4	4.0	-1.8 <sup>2/</sup>
Commercial & other	3.2	10.7	-6	-1.0	-4.3 <sup>2/</sup>

<sup>1/</sup> Estimates based on expectations of businesses as reported in the November Commerce survey.

<sup>2/</sup> Confidential results.

<sup>3/</sup> A special check-up on September survey; confidential.

<sup>4/</sup> Contains industries not shown separately.

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

	1974					1975	
	Year e/	Half I	QIII	QIV e/	Dec. e/	Jan. f/	Feb. f/
<u>Gross offerings, long-term</u>							
Corporate securities							
Total	3,224	3,072	2,465	4,034	3,650	5,000	4,500
Public bonds	2,134	1,950	1,675	2,867	2,300	3,500	3,200
Private placed bonds	550	570	337	567	900	800	700
Stocks	540	552	453	600	450	700	600
State and local government securities	1,894	2,123	1,400	1,958	1,309	2,000	2,000
<u>Net offerings, total</u>							
U. S. Treasury	658	501	1,498	3,440	5,100	2,800	3,000
Sponsored Federal agency	1,367	926	2,552	1,008	764	545	643
<hr/>							
e/	Estimated.						
f/	Forecast.						

State and municipal governments because of slackening growth in revenues and higher spending, and by growing market concern over the financial strength of some government units.

Projected financing by the Treasury also has been raised substantially in conjunction with the upward revision in estimates of the Treasury's deficit. The acceleration in borrowing began in early January when the Treasury raised an additional \$2.0 billion of new money. This caused yields on Treasury coupon issues generally to advance around 10 to 20 basis points, but they subsequently have

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January 17, 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

In commenting on the growth of Federal Spending in his State of the Union message, the President indicated that where spending is curbed, the U.S. Treasury may be legally obligated to spend more than \$360 billion in FY '76 even if no new programs are enacted. The President, therefore, has asked for a moratorium on any new spending initiatives, and he reinforced this request by issuing the following preliminary FY '76 Budget estimates:

	<u>Fiscal Years</u>			<u>Per cent Change</u>	
	<u>1974</u>	<u>1975e</u>	<u>1976e</u>	<u>75/74</u>	<u>76/75</u>
Revenues	264.9	280	303	6%	8%
Outlays	268.4	314	349	17%	11%
Deficit	3.5	34	46		

The FY '76 expenditure estimate shown above appears to have been derived in the following way:

Administration's Base Estimate	\$360 billion
Plus: increased outlays assoc. with energy proposal	7 <u>1/</u>
Less: saving resulting from 5% ceiling placed on pay and programs tied to CPI	6
Less: proposed budget reductions and other actions	<u>11.5</u>
Administration's Preliminary FY '76 estimate	\$349 billion

1/ Consists of \$3 billion higher Federal costs due to oil price hike, \$2 billion new payments to compensate State and local government and \$2 billion in cash payments to low income people.

## CORRECTIONS:

## GROSS NATIONAL PRODUCT AND RELATED ITEMS

	1975 Proj.	1975				1976	
		Projection					
		I	II	III	IV	I	II
Disposable income	1064.4	1019.7	1062.4	1083.8	1086.8	1110.4	1133.0
Personal saving	93.6	80.9	104.5	105.6	83.2	86.9	91.0
Saving rate (per cent)	8.8	7.9	9.8	9.7	7.7	7.8	8.0
Corporate profits and I.V.A.	90.5	89.6	83.3	90.9	98.2	102.6	104.8
Corporate profits before tax	115.9	119.5	111.0	115.0	118.0	119.5	119.5
Federal government receipts and expenditures (NIA basis)							
Receipts	288.2	294.0	270.2	277.5	311.2	321.0	324.8
Surplus or deficit (-)	-47.8	-29.7	-58.9	-63.7	-38.9	-35.9	-38.6
State and local government surplus or deficit (-), (NIA basis)	-2.1	-2.2	-3.1	-2.5	- .5	- .9	- .6
Industrial production (1967=100)	116.9	116.5	115.2	116.8	119.1	121.2	122.4
Capacity utilization, mfg. (per cent)	71.3	72.1	70.6	71.0	71.7	72.3	72.3
Major materials (per cent)	74.2	75.4	72.9	73.5	74.9	75.9	76.2
-----In Per Cent Per Year-----							
Disposable income	8.8	6.2	17.8	10.3	- .7	9.0	8.4
Corporate profits before tax	-17.7	-32.8	-25.6	15.2	10.8	5.2	.0
Federal government receipts and expenditures (NIA basis)							
Receipts	-1.2	-3.6	-28.7	11.3	58.2	13.2	4.8
Industrial production	-5.9	-15.8	-4.2	5.6	8.1	7.3	3.9

NOTE: In the January 15 Greenbook, there were some computational errors in the GNP tables. This table shows corrected figures for Part I, pages 8, 9, 10, and 11.