

CONFIDENTIAL (FR)

CURRENT ECONOMIC and FINANCIAL CONDITIONS

**Prepared for the
Federal Open Market Committee**

By the Staff

BOARD OF GOVERNORS
OF THE FEDERAL RESERVE SYSTEM

September 27, 1967

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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)

	1966	1967	1966		1967		Projected	
			Proj.		I	II	III	IV
Gross National Product	743.3	785.4	748.8	762.1	766.3	775.1	790.0	810.0
Final sales	729.9	783.2	737.4	743.6	759.2	774.6	790.3	808.5
Private	575.6	605.4	579.7	581.9	588.8	599.6	610.5	622.5
Personal consumption expenditures	465.9	493.8	470.1	473.8	480.2	489.7	497.7	507.7
Durable goods	70.3	72.4	70.9	70.6	69.4	72.5	72.5	75.0
Nondurable goods	207.5	219.7	209.5	210.3	214.2	217.2	221.7	225.7
Services	188.1	201.7	189.8	192.9	196.6	200.0	203.5	207.0
Gross private domestic investment	118.0	108.6	116.4	122.2	110.4	105.1	107.5	111.3
Residential construction	24.4	24.2	23.7	20.9	21.4	23.1	25.4	26.8
Business fixed investment	80.2	82.2	81.2	82.8	81.9	81.5	82.4	83.0
Change in business inventories	13.4	2.2	11.4	18.5	7.1	.5	-.3	1.5
Nonfarm	13.7	2.1	12.0	19.0	7.3	.6	-.5	1.0
Net Exports	5.1	5.2	4.6	4.3	5.3	5.3	5.0	5.0
Gov't. purchases of goods & services	154.3	177.8	157.7	161.7	170.4	175.0	179.8	186.0
Federal	77.0	91.2	79.5	81.5	87.1	89.5	92.1	96.0
Defense	60.5	73.6	63.0	65.6	70.2	72.5	74.5	77.0
Other	16.5	17.6	16.6	15.9	16.8	17.0	17.6	19.0
State & local	77.2	86.6	78.1	80.2	83.3	85.4	87.7	90.0
Gross National product in constant (1958) dollars	652.6	670.5	654.8	661.1	660.7	664.7	672.8	683.6
GNP Implicit deflator (1958=100)	113.9	117.1	114.4	115.3	116.0	116.6	117.4	118.5*
Personal income	584.0	623.0	589.3	601.6	612.9	619.1	631.0	645.0
Wage and salaries	394.6	424.1	399.6	407.4	414.7	418.3	426.5	437.0
Disposable income	508.8	545.2	512.4	522.0	532.7	540.0	548.5	559.5
Personal saving	29.8	37.2	29.2	34.6	38.8	36.0	36.5	37.4
Saving rate (per cent)	5.9	6.8	5.7	6.6	7.3	6.7	6.7	6.7
Corporate profits before tax	83.8	80.7	84.0	83.9	79.0	78.9	80.5	84.5
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	143.2	151.7	145.6	148.6	149.1	148.1	152.4	157.3
Expenditures	142.9	165.1	146.3	151.9	160.9	162.8	166.0	170.7
Surplus or deficit (-)	.3	-13.4	-.7	-3.3	-11.9	-14.7	-13.6	-13.4
Total labor force (millions)	78.9	80.8	79.1	79.8	80.3	80.2	81.1	81.6
Armed forces "	3.1	3.5	3.2	3.3	3.4	3.5	3.5	3.5
Civilian labor force "	75.8	77.3	76.0	76.5	76.9	76.7	77.6	78.1
Unemployment rate (per cent)	3.8	3.7	3.8	3.7	3.7	3.8	3.8	3.6
Nonfarm payroll employment (millions)	64.0	66.2	64.3	65.0	65.7	65.7	66.2	67.0
Manufacturing	19.2	19.3	19.3	19.5	19.5	19.3	19.3	19.6
Industrial production (1957-59=100)	156.3	157.7	157.6	158.8	157.0	155.7	157.3	160.7
Capacity utilization, manufacturing (per cent)	90.5	85.3	90.6	89.8	87.0	85.0	84.2	84.8
Housing starts, private (millions A. R.)	1.17	1.27	1.08	.92	1.12	1.21	1.35	1.39
Sales new U.S.-made autos (millions, A. R.)	8.38	7.70	8.47	8.13	7.33	7.83	7.37	8.25

* 118.3 without Federal pay increase.

**CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS**
(Quarterly Changes are at Annual Rates)

	1966	1967	1966		1967			
			Proj.		I	II	Projected	IV
----- In Billions of Dollars -----								
Gross National Product	59.4	42.1	12.1	13.3	4.2	8.8	14.9	20.0
Final sales	55.4	53.3	14.7	6.2	15.6	15.4	15.7	18.2
Private	37.5	29.8	8.2	2.2	6.9	10.8	10.9	12.0
GNP in constant (1958) dollars	35.9	17.9	5.5	6.3	-.4	4.0	8.1	10.8
Final sales	32.1	28.6	8.3	-0.3	10.1	10.3	8.9	9.1
Private	21.9	12.8	4.4	-2.8	3.7	7.1	5.5	6.6
--- In Per Cent; Quarterly Changes are at Annual Rates -								
Gross National Product	8.7	5.7	6.6	7.1	2.2	4.6	7.7	10.1
Final sales	8.2	7.3	8.1	3.4	8.4	8.1	8.1	9.2
Private	7.0	5.2	5.7	1.5	4.7	7.3	7.3	7.9
Personal consumption expenditures	7.6	6.0	7.4	3.1	5.4	7.9	6.5	8.0
Durable goods	6.5	3.0	15.8	-1.7	-6.8	17.9	0.0	13.8
Nondurable goods	8.5	5.9	4.6	1.5	7.4	5.6	8.3	7.2
Services	6.9	7.2	7.5	6.5	7.7	6.9	7.0	6.9
Gross private domestic investment	9.9	-8.0	-7.1	19.9	-38.6	-19.2	9.1	14.1
Residential construction	-9.6	-0.8	-32.6	-47.3	9.6	31.8	39.8	22.0
Business fixed investment	12.8	2.5	12.7	7.9	-4.3	-2.0	4.4	2.9
Gov't purchases of goods & services	13.1	15.2	17.2	10.1	21.5	10.8	11.0	13.8
Federal	15.3	18.4	24.6	10.1	27.5	11.0	11.6	16.9
Defense	20.8	21.7	31.5	16.5	28.0	13.1	11.0	13.4
Other	-1.2	6.7	0.0	-16.9	22.6	4.8	14.1	31.8
State & local	10.9	12.2	10.0	10.8	15.5	10.1	10.8	10.5
GNP in constant (1958) dollars	5.8	2.7	3.4	3.8	-.2	2.4	4.9	6.4
Final sales	5.3	4.5	5.2	-0.2	6.3	6.3	5.4	5.4
Private	4.4	2.5	3.4	-2.2	2.9	5.5	4.2	5.0
GNP Implicit deflator	2.7	2.8	3.2	3.1	2.4	2.1	2.7	3.7*
Personal income	8.6	7.4	8.3	8.3	7.5	4.0	7.7	8.9
Wage and salaries	9.9	7.5	9.6	7.8	7.2	3.5	7.8	9.8
Disposable income	7.8	7.2	7.2	7.5	8.2	5.5	6.2	8.0
Corporate profits before tax	9.5	-3.7	1.9	-.5	-23.4	-0.5	18.1	19.9
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	14.7	5.9	11.3	8.2	1.3	-2.7	11.6	11.8
Expenditures	15.8	15.5	22.8	15.3	23.7	4.7	7.9	11.3
Nonfarm payroll employment	5.3	3.4	3.8	4.4	4.3	0.0	3.0	4.8
Manufacturing	6.1	0.5	4.2	4.1	0.0	-4.1	0.0	6.2
Industrial production	9.0	0.9	6.2	3.0	-4.5	-3.3	4.1	8.1
Housing starts, private	-20.4	8.5	-62.5	-59.3	87.0	32.1	46.3	11.8
Sales new U.S.-made autos	-4.4	-8.1	33.6	-15.8	-39.6	27.3	-23.5	47.8

* 3.1 per cent without Federal pay increase.

Table B
VARIOUS FEDERAL BUDGETS, QUARTERLY
(In billions of dollars)

	1966		1967			
	III	IV	I	II	III ^e	IV ^e
<u>Quarterly data, unadjusted</u>						
Cash surplus/deficit (-)	- 6.7	- 7.7	1.4	11.3	- 7.5	-11.8
Cash receipts	34.6	31.1	38.0	49.8	36.4	32.0
Cash payments	41.3	38.8	36.7	38.6	43.9	43.8
Change in total cash balance	- 4.1	- 2.5	.7	1.2	1.0	- 2.2
Net Cash borrowing (+)	2.4	5.1	-.9	-10.3	8.5	9.6
(Pool sales to public) <u>1/</u>	- .5	--	1.1	1.8	--	1.0
<u>Seasonally adjusted annual rate</u>						
Federal surplus/deficit (-) in national income accounts	- .7	- 3.3	-11.9	-14.7	-13.6	-13.4
Receipts	145.6	148.6	149.1	148.1	152.4	157.3
Expenditures	146.3	151.9	160.9	162.8	166.0	170.7
High employment surplus/ deficit (-) <u>2/</u>	- .4	- 3.3	-10.5	-13.0	-12.6	-12.9

e - Staff projections. Based on existing tax rates.

1/ Not included in net cash borrowing.

2/ Uses 1966 IVQ as a high employment base.

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SUPPLEMENT

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Corrections:

Page I - 2. First word of line 2 should be expected.

Page I - T - 1. The rise in nonindustrial employment from 2 years ago was 10.5 per cent. The consumer food price index in August was 116.6 which was 0.7 per cent above a year ago and 0.9 per cent above 2 years ago. The index of service prices was 128.2 in August and 127.7 in July. The August rise from a year earlier was 4.2 per cent.

Page I - T - 2. Lines 6 and 7. The decimal points were omitted. Corporate public offerings include both public and private and stocks.

Page II - 5a. Industrial production for QII 1967 should be 155.8; capacity utilization rate should be 84.8 in QII.

Page II - 5b. Annual rate of change in industrial production in QII should be 3.1 per cent.

Page III - 11, Table A. Footnote in last column heading should be 3/ (instead of 2/).

Page IV - 9. In footnote b/ the figure should be £5 million (instead of dollars).