

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff  
Board of Governors  
of the Federal Reserve System

October 11, 1972

## STAFF GNP PROJECTIONS

Date	Change in Nominal GNP \$ billion		Per cent increase, annual rate				Unemployment rate	
			Real GNP		Private GNP fixed weight price index			
	9/13/72	Current	9/13/72	Current	9/13/72	Current	9/13/72	Current
1971 <sup>1/</sup>	74.0	74.0	2.7	2.7	4.5	4.5	5.9	5.9
1972	102.6	101.3	6.4	6.4	3.2	3.2	5.6	5.6
1973	119.4	117.6	6.7	6.7	3.5	3.3	4.9	5.0
1972-I <sup>1/</sup>	31.0	31.0	6.5	6.5	4.5	4.5	5.8	5.8
1972-II <sup>1/</sup>	30.3	30.3	9.4	9.4	2.5	2.5	5.7	5.7
1972-III	26.5	24.0	6.0	6.0	3.3	2.9	5.5	5.6
1972-IV	31.6	31.5	7.9	8.1	3.0	2.8	5.3	5.4
1973-I	32.5	32.5	7.0	7.1	3.4	3.2	5.1	5.2
1973-II	28.5	28.0	5.9	5.6	3.7	3.6	5.0	5.0
1973-III	28.0	28.0	4.8	4.8	4.2	4.2	4.9	4.9
1973-IV	28.0	27.5	4.3	4.3	4.5	4.3	4.8	4.8

<sup>1/</sup> Actual.

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.)

	1971	1972 Proj.	1973 Proj.	1971	1972			
				IV	I	II	Projected	
							III	IV
Gross National Product	1050.4	1151.7	1269.3	1078.1	1109.1	1139.4	1163.4	1194.9
Final purchases	1046.7	1146.3	1255.5	1076.4	1108.6	1134.4	1156.4	1185.8
Private	813.9	890.3	977.7	835.5	859.2	880.3	900.4	921.2
Excluding net exports	813.2	894.4	980.0	837.6	863.8	885.5	904.2	923.9
Personal consumption expenditures	664.9	720.8	793.3	680.5	696.1	713.4	728.2	745.5
Durable goods	103.5	116.0	130.7	106.1	111.0	113.9	118.0	121.0
Nondurable goods	278.1	299.3	330.4	283.4	288.3	297.2	302.0	309.5
Services	283.3	305.6	332.3	290.9	296.7	302.4	308.2	315.0
Gross private domestic investment	152.0	178.9	200.5	158.8	168.1	177.0	183.0	187.5
Residential construction	42.6	53.0	51.1	47.3	51.6	52.8	54.0	53.4
Business fixed investment	105.8	120.6	135.6	109.8	116.1	119.2	122.0	125.0
Change in business inventories	3.6	5.4	13.8	1.7	0.4	5.0	7.0	9.1
Nonfarm	2.4	5.0	13.8	0.8	0.1	4.3	6.5	8.9
Net exports of goods and services <sup>1/</sup>	0.7	-4.1	-2.3	-2.1	-4.6	-5.2	-3.8	-2.7
Exports	66.1	72.9	82.9	63.0	70.7	70.0	74.2	76.7
Imports	65.4	77.0	85.1	65.1	75.3	75.2	78.0	79.4
Gov't. purchases of goods and services	232.8	256.0	277.8	240.9	249.4	254.1	256.0	264.6
Federal	97.8	107.4	109.8	100.7	105.7	108.1	106.0	109.6
Defense	71.4	77.7	78.7	71.9	76.7	78.6	76.0	79.5
Other	26.3	29.7	31.1	28.7	28.9	29.6	30.0	30.1
State & local	135.0	148.7	168.3	140.2	143.7	146.0	150.0	155.0
Gross national product in constant (1958) dollars	741.7	789.4	842.0	754.5	766.5	783.9	795.6	811.7
GNP implicit deflator (1958 = 100)	141.6	145.9	150.7	142.9	144.7	145.3	146.2	147.2
Personal income	861.4	935.2	1024.0	881.5	907.0	922.1	940.8	971.0
Wage and salary disbursements	572.9	626.5	687.9	585.9	608.0	620.5	631.6	645.9
Disposable income	744.4	795.5	881.0	758.5	770.5	782.6	801.2	827.8
Personal saving	60.9	55.6	67.9	59.3	55.7	50.1	53.7	62.9
Saving rate (per cent)	8.2	7.0	7.7	7.8	7.2	6.4	6.7	7.6
Corporate profits before tax	83.3	95.3	112.4	83.2	88.2	91.6	97.5	104.0
Corp. cash flow, net of div. (domestic)	78.2	92.2	105.8	82.7	85.9	90.8	93.9	98.3
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	199.1	227.2	224.1	202.8	221.5	224.9	227.9	234.4
Expenditures	220.8	248.1	274.1	227.5	236.3	246.5	241.3	268.3
Surplus or deficit (-)	-21.7	-20.9	-30.0	-24.7	-14.8	-21.6	-13.4	-33.9
High employment surplus or deficit (-)	3.7	-2.2	-15.1	6.8	8.6	-2.4	4.0	-18.9
Total labor force (millions)	86.9	89.0	90.8	87.7	88.4	88.8	89.2	89.7
Armed forces "	2.8	2.4	2.4	2.7	2.5	2.4	2.4	2.4
Civilian labor force "	84.1	86.6	88.4	85.0	85.9	86.4	86.8	87.3
Unemployment rate (per cent)	5.9	5.6	5.0	5.9	5.8	5.7	5.6	5.4
Nonfarm payroll employment (millions)	70.7	72.7	75.0	71.0	71.8	72.5	73.0	73.6
Manufacturing	18.6	18.9	19.7	18.6	18.7	18.9	18.9	19.2
Industrial production (1967 = 100)	106.8	113.6	122.8	107.4	110.0	113.1	114.3	117.0
Capacity utilization, manufacturing (per cent)	75.0	77.3	80.7	74.6	75.3	77.4	77.7	78.7
Housing starts, private (millions, A.R.)	2.05	2.30	1.98	2.24	2.51	2.26	2.28	2.15
Sales new autos (millions, A.R.)	10.13	10.76	11.10	10.55	10.05	10.30	11.43	11.25
Domestic models	8.68	9.31	9.63	9.30	8.65	8.91	9.91	9.75
Foreign models	1.45	1.45	1.47	1.25	1.40	1.39	1.52	1.50

NOTE: Projection of related items such as employment and industrial production index are based on projection of deflated GNP. Federal budget high employment surplus or deficit (N.I.A. basis) are staff estimates and projections by method suggested by Okun and Teeters.

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

	1971	1972 Proj.	1973 Proj.	1971 IV	1972 Projected			
					I	II	III	IV
-----Billions of Dollars-----								
Gross National Product	74.0	101.3	117.6	21.2	31.0	30.3	24.0	31.5
Inventory change	-1.3	1.8	8.4	0.4	-1.3	4.6	2.0	2.1
Final purchases	75.2	99.6	109.2	20.8	32.2	25.8	22.0	29.4
Private	61.4	76.4	87.4	13.5	23.7	21.1	20.1	20.8
Excluding net exports	64.3	81.2	85.6	16.0	26.2	21.7	18.7	19.7
Net exports	-2.9	-4.8	1.8	-2.5	-2.5	-0.6	1.4	1.1
Government	13.8	23.2	21.8	7.3	8.5	4.7	1.9	8.6
GNP in constant (1958) dollars	19.6	47.7	52.6	12.0	12.0	17.4	11.7	16.1
Final purchases	21.1	46.3	46.7	12.1	12.5	13.7	10.4	14.5
Private	22.5	40.0	43.0	8.6	11.4	12.0	11.1	11.3
-----Per Cent Per Year-----								
Gross National Product	7.6	9.6	10.2	8.3 <sup>1/</sup>	12.0 <sup>1/</sup>	11.4 <sup>1/</sup>	8.4	10.8
Final purchases	7.7	9.5	9.5	7.9	12.0	9.3	7.8	10.2
Private	8.2	9.4	9.8	6.6	11.3	9.8	9.1	9.2
Personal consumption expenditures	7.8	8.4	10.1	5.8	9.2	9.9	8.3	9.5
Durable goods	14.4	12.1	12.7	0.0	18.5	10.5	14.4	10.2
Nondurable goods	5.2	7.6	10.4	7.0	6.9	12.3	6.5	9.9
Services	8.2	7.9	8.7	6.7	8.0	7.7	7.7	8.8
Gross private domestic investment	10.9	17.7	12.1	17.3	23.4	21.2	13.6	9.8
Residential construction	36.5	24.4	-3.6	25.2	36.4	9.3	9.1	-4.4
Business fixed investment	4.9	14.0	12.4	13.2	23.0	10.7	9.4	9.8
Gov't. purchases of goods & services	6.3	10.0	8.5	12.5	14.1	7.5	3.0	13.4
Federal	1.3	9.8	2.2	11.4	19.9	9.1	-7.8	13.6
Defense	-4.9	8.8	1.3	10.3	26.7	9.9	-13.2	18.4
Other	22.3	12.9	4.7	12.9	2.8	9.7	5.4	1.3
State & local	10.2	10.1	13.2	13.3	10.0	6.4	11.0	13.3
GNP in constant (1958) dollars	2.7	6.4	6.7	6.7 <sup>1/</sup>	6.5 <sup>1/</sup>	9.4 <sup>1/</sup>	6.0	8.1
Final purchases	2.9	6.3	5.9	6.5	6.6	7.2	5.3	7.3
Private	3.9	6.6	6.7	5.7	7.4	7.7	7.0	7.0
GNP implicit deflator	4.7	3.0	3.3	1.5 <sup>1/</sup>	5.1 <sup>1/</sup>	1.8 <sup>1/</sup>	2.5	2.7
Private GNP fixed weight index <sup>2/</sup>	4.5	3.2	3.3	1.7 <sup>1/</sup>	4.5 <sup>1/</sup>	2.5 <sup>1/</sup>	2.9	2.8
Personal income	6.8	8.6	9.5	6.3	11.6	6.7	8.1	12.8
Wage and salary disbursements	5.7	9.4	9.8	6.9	15.1	8.2	7.2	9.1
Disposable income	8.0	6.9	10.7	4.3	6.3	6.3	9.5	13.3
Corporate profits before tax	12.1	14.4	17.9	-4.3	24.0	15.4	25.8	26.7
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	3.9	14.1	-1.4	7.4	36.9	6.1	5.3	11.4
Expenditures	8.0	12.4	10.5	9.5	15.5	17.3	-8.4	44.8
Nonfarm payroll employment	0.1	2.8	3.2	2.2	4.5	3.9	2.8	3.3
Manufacturing	3.9	1.6	4.2	0.9	2.2	4.3	0.0	6.3
Industrial production	0.2	6.3	8.1	3.5	9.4	11.5	4.1	9.3
Housing starts, private	43.1	12.2	-13.9	24.2	48.2	-39.8	3.5	-22.8
Sales new autos	21.3	6.2	3.2	-2.4	-18.6	9.9	43.7	-6.3
Domestic models	21.9	7.3	3.4	10.3	-27.9	12.0	44.6	-6.5
Foreign models	17.9	0.0	1.4	-76.8	50.4	-2.9	38.2	-5.3

<sup>1/</sup> At compound rates.<sup>2/</sup> Using expenditures in 1967 as weights.

this industry, which usually accounts for one-third to one-half of public bond volume, has scheduled less than \$250 million of debt issues for November. Underwriters continue to report that industrial corporations have limited current plans to issue long-term debt. Staff estimates are that November public bond volume will be less than \$1 billion.

A decline in the number of prospective borrowers appears to have slowed down the pace of takedowns in the private placement market, but new equity offerings are still being made at a rate of more than \$1 billion a month, a trend which is likely to continue over the fourth quarter.

CORPORATE AND MUNICIPAL LONG-TERM SECURITY OFFERINGS  
(Monthly or monthly averages, in millions of dollars)

	Year 1971	1st seven months	Aug. <sup>e/</sup>	Sept. <sup>e/</sup>	Oct. <sup>f/</sup>	Nov. <sup>f/</sup>
Corporate securities						
Total	3,758	3,493	2,900	2,750	3,750	2,550
Public bonds	2,065	1,685	1,500	850	1,800	800
Privately placed bonds	613	701	600	800	650	650
Stock	1,080	1,107	800	1,100	1,300	1,100
State and local government securities	2,080	2,016	1,918	1,700	1,800	1,700

<sup>e/</sup> Estimated.

<sup>f/</sup> Forecast.

Municipal long-term debt offerings edged downward in September to \$1.7 billion, even with acceleration of a large public power offering

PROJECTION OF TREASURY CASH OUTLOOK  
(In billions of dollars)

	Sept.	Oct.	Nov.	Dec.
<u>Total net borrowing</u>	0.5	2.9	3.6	3.2
Weekly and monthly bills	--	1.2	0.6	0.4
Tax bills	--	--	--	--
Coupon issues	--	2.0	--	--
As yet unspecified new borrowing	--	--	4.3	4.0
Special issues to foreigners	--	-0.5	--	--
Agency transactions, debt repayment, etc.	0.5	.2	-1.3	-1.2
Plus: <u>Other net financial sources</u> <sup>a/</sup>	1.3	3.0	-2.7	-1.0
Plus: <u>Budget surplus or deficit</u> (-)	3.0	-8.9	-3.0	-0.6
Equals: <u>Change in cash balance</u>	4.8 <sup>b/</sup>	-3.0	-2.1	1.6
Memoranda: Level of cash balance end of period	9.8 <sup>b/</sup>	6.8	4.7	6.3
Derivation of budget surplus or deficit:				
Budget receipts	22.7	14.6	17.6	18.9
Budget outlays	19.7	23.5	20.6	19.5
Maturing coupon issues held by public <u>c/</u>	1.8	--	2.1	2.3
Net borrowing by gov't-sponsored agencies	0.2	0.4	0.7	-0.1

a/ Checks issued less checks paid and other accrual items.

b/ Actual

c/ In the August prefunding, \$1.3 billion was exchanged for the September maturity, leaving \$500 million to be redeemed in cash. Of the November and December maturities, \$.9 billion and \$1.1 billion were exchanged, leaving \$1.3 billion and \$1.2 billion to be redeemed in cash.

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

	Fiscal Year 1972*	Fiscal 1973 e/ Adm. F.R. Estimate <sup>1/</sup> Board		Calendar Year 1972 <sup>2/</sup>	Calendar Quarters F.R.B. Staff Estimates					
					1972				1973	
					I*	II*	III	IV	I	II
<b>Federal Budget</b>					Unadjusted data					
Surplus/deficit	-23.0	-25.0	-30.5	-20.0	-10.5	5.8	-2.8	-12.5	-15.1	-0.1
Receipts	208.6	225.0	224.5	222.6	48.1	67.3	56.1	51.1	51.3	66.0
Outlays	231.6	250.0	255.0	242.6	58.6	61.5	58.9	63.6	66.4	66.1
Means of financing:										
Net borrowing from the public	19.4	n.a.	27.0	12.7	3.9	-6.0	5.1	9.7	11.2	1.0
Decrease in cash operating balance	-1.3	n.a.	2.5	5.0	3.6	-2.4	0.3	3.5	0.9	-2.2
Other <sup>3/</sup>	4.9	n.a.	1.0	2.3	3.0	2.6	-2.6	-.7	3.0	1.3
Cash operating balance, end of period	10.1	n.a.	7.6	6.3	7.7	10.1	9.8	6.3	5.4	7.6
Memo: Net agency borrowing <sup>4/</sup>	4.7	n.a.	n.e.	3.1	.4	1.2	0.1	1.3	n.e.	n.e.
<b>National Income Sector</b>					Seasonally adjusted, annual rates					
Surplus/deficit	-22.1	n.a.	-33.4	-20.9	-14.8	-21.6	-13.4	-33.9	-45.0	-41.2
Receipts	211.0	n.a.	231.0	227.2	221.4	224.9	227.9	234.4	232.6	229.0
Expenditures	233.1	n.a.	264.4	248.1	236.3	246.5	241.3	268.3	277.6	270.2
High employment surplus/deficit (NIA basis) <sup>2/</sup>	4.1	n.a.	-16.3	-2.2	8.6	-2.4	4.0	-18.9	-26.4	-23.9

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

<sup>1/</sup> Revised Administration estimates were disclosed by Secretary Shultz in testimony before the House Ways and Means Committee on September 18, 1972.

<sup>2/</sup> Estimated by F.R. Board Staff.

<sup>3/</sup> Includes such items as deposit fund accounts and clearing accounts.

<sup>4/</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.