

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff  
Board of Governors  
of the Federal Reserve System

March 27, 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    | I     | II     |
| Gross National Product   | 743.3 | 785.0  | 766.3  | 775.1  | 791.2  | 807.3 | 828.5 | 847.0  |
| Final sales  | 729.9 | 779.8  | 759.2  | 774.6  | 787.4  | 798.1 | 820.4 | 838.0  |
| Private purchases  | 575.6 | 603.5  | 588.8  | 599.6  | 609.2  | 616.4 | 634.0 | 647.2  |
| Personal consumption expenditures                              | 465.9 | 491.7  | 480.2  | 489.7  | 495.3  | 501.8 | 516.0 | 528.5  |
| Durable goods  | 70.3  | 72.1   | 69.4   | 72.5   | 72.7   | 73.8  | 77.5  | 80.0   |
| Nondurable goods   | 207.5 | 217.5  | 214.2  | 217.2  | 218.5  | 220.3 | 227.0 | 233.0  |
| Services   | 188.1 | 202.1  | 196.6  | 200.0  | 204.1  | 207.7 | 211.5 | 215.5  |
| Gross private domestic investment                              | 118.0 | 112.1  | 110.4  | 105.1  | 112.2  | 120.8 | 122.8 | 123.5  |
| Residential construction                                       | 24.4  | 24.4   | 21.4   | 23.1   | 25.6   | 27.6  | 28.2  | 28.0   |
| Business fixed investment                                      | 80.2  | 82.6   | 81.9   | 81.5   | 82.8   | 84.0  | 86.5  | 86.5   |
| Change in business inventories                                 | 13.4  | 5.2    | 7.1    | .5     | 3.8    | 9.2   | 8.1   | 9.0    |
| Nonfarm  | 13.7  | 4.8    | 7.3    | .6     | 3.4    | 7.7   | 7.5   | 9.0    |
| Net Exports  | 5.1   | 4.8    | 5.3    | 5.3    | 5.4    | 3.0   | 3.3   | 4.2    |
| Gov't purchases of goods & services                            | 154.3 | 176.3  | 170.4  | 175.0  | 178.2  | 181.7 | 186.4 | 190.8  |
| Federal  | 77.0  | 89.9   | 87.1   | 89.5   | 90.9   | 92.2  | 94.7  | 97.0   |
| Defense  | 60.5  | 72.5   | 70.2   | 72.5   | 73.3   | 74.2  | 75.7  | 77.2   |
| Other  | 16.5  | 17.4   | 16.8   | 17.0   | 17.6   | 18.0  | 19.0  | 19.8   |
| State and local  | 77.2  | 86.4   | 83.3   | 85.4   | 87.4   | 89.5  | 91.7  | 93.8   |
| Gross National Product in constant<br>(1958) dollars           | 652.6 | 669.3  | 660.7  | 664.7  | 672.0  | 679.6 | 690.6 | 699.0  |
| 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 | 659.0 | 673.2  |
| Wages and salaries   | 394.6 | 423.8  | 414.7  | 418.3  | 426.2  | 435.9 | 448.5 | 457.2  |
| Disposable income  | 508.8 | 544.7  | 532.7  | 540.0  | 548.2  | 557.9 | 571.9 | 584.5  |
| Personal saving  | 29.8  | 38.7   | 38.8   | 36.0   | 38.5   | 41.6  | 41.1  | 40.9   |
| Saving rate (per cent)   | 5.9   | 7.1    | 7.3    | 6.7    | 7.0    | 7.5   | 7.2   | 7.0    |
| Corporate profits before tax                                   | 83.8  | 80.8   | 79.0   | 78.9   | 80.0   | 85.4  | 89.5  | 93.0   |
| Federal government receipts and<br>expenditures (N.I.A. basis) |       |        |        |        |        |       |       |        |
| Receipts   | 143.2 | 151.8  | 149.1  | 148.1  | 152.7  | 157.4 | 164.2 | 167.6  |
| Expenditures   | 142.9 | 164.3  | 160.9  | 162.8  | 165.9  | 167.9 | 173.0 | 180.4  |
| Surplus or deficit (-)   | .3    | - 12.5 | - 11.9 | - 14.7 | - 13.2 | 10.5  | - 8.8 | - 12.8 |
| Total labor force (millions)                                   | 78.9  | 80.8   | 80.3   | 80.3   | 81.1   | 81.6  | 82.0  | 82.5   |
| 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  | 78.5  | 79.0   |
| Unemployment rate (per cent)                                   | 3.8   | 3.8    | 3.7    | 3.8    | 3.9    | 3.9   | 3.6   | 3.6    |
| 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  | 19.6  | 19.7   |
| Industrial production (1957-59=100)                            | 156.3 | 157.8  | 157.1  | 155.9  | 157.2  | 159.5 | 162.0 | 164.5  |
| Capacity utilization, manufacturing<br>(per cent)              | 90.5  | 85.1   | 87.1   | 84.9   | 84.0   | 84.3  | 84.5  | 84.6   |
| 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,<br>A. R.)                 | 8.38  | 7.57   | 7.16   | 8.11   | 7.57   | 7.44  | 8.00  | 8.50   |

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

|   | 1966  | 1967 | 1967  |       |       |      | 1968 |       |
|---|-------|------|-------|-------|-------|------|------|-------|
|   |       |      | I     | II    | III   | IV   | I    | II    |
| -----In Billions of Dollars-----                            |       |      |       |       |       |      |      |       |
| Gross National Product                                      | 59.4  | 41.7 | 4.2   | 8.8   | 16.1  | 16.1 | 21.2 | 18.5  |
| Final sales   | 55.4  | 49.9 | 15.6  | 15.4  | 12.8  | 10.7 | 22.3 | 17.6  |
| Private purchases   | 37.5  | 27.9 | 6.9   | 10.8  | 9.6   | 7.2  | 17.6 | 13.2  |
| NP in constant (1958) dollars                               | 35.9  | 16.7 | -.4   | 4.0   | 7.3   | 7.6  | 11.0 | 8.4   |
| Final sales   | 32.1  | 24.6 | 10.1  | 10.3  | 4.2   | 2.5  | 12.0 | 7.7   |
| Private purchases   | 21.9  | 10.4 | 3.7   | 7.1   | 3.0   | 1.7  | 9.5  | 5.7   |
| ---In Per Cent; Quarterly Changes are at Annual Rates---    |       |      |       |       |       |      |      |       |
| Gross National Product                                      | 8.7   | 5.6  | 2.2   | 4.6   | 8.3   | 8.1  | 10.5 | 8.9   |
| Final sales   | 8.2   | 6.8  | 8.4   | 8.1   | 6.6   | 5.4  | 11.2 | 8.6   |
| Private purchases   | 7.0   | 4.8  | 4.7   | 7.3   | 6.4   | 4.7  | 11.4 | 8.3   |
| Personal consumption expenditures                           | 7.6   | 5.5  | 5.4   | 7.9   | 4.6   | 5.2  | 11.3 | 9.7   |
| Durable goods   | 6.5   | 2.6  | -6.8  | 17.9  | 1.1   | 6.1  | 20.1 | 12.9  |
| Nondurable goods  | 8.5   | 4.8  | 7.4   | 5.6   | 2.4   | 3.3  | 12.2 | 10.6  |
| Services  | 6.9   | 7.4  | 7.7   | 6.9   | 8.2   | 7.1  | 7.3  | 7.6   |
| Gross private domestic investment                           | 9.9   | -5.0 | -38.6 | -19.2 | 27.0  | 30.7 | 6.6  | 2.3   |
| Residential construction                                    | -9.6  | 0.0  | 9.6   | 31.8  | 43.3  | 31.2 | 8.7  | -2.8  |
| Business fixed investment                                   | 12.8  | 3.0  | -4.3  | -2.0  | 6.4   | 5.8  | 11.9 | 0.0   |
| Gov't purchases of goods & services                         | 13.1  | 14.3 | 21.5  | 10.8  | 7.3   | 7.9  | 10.3 | 9.4   |
| Federal   | 15.3  | 16.8 | 27.5  | 11.0  | 6.3   | 5.7  | 10.8 | 9.7   |
| Defense   | 20.8  | 19.8 | 28.0  | 13.1  | 4.4   | 4.9  | 8.1  | 7.9   |
| Other   | -1.2  | 5.5  | 22.6  | 4.8   | 14.1  | 9.1  | 22.2 | 16.8  |
| State & local   | 10.9  | 11.9 | 15.5  | 10.1  | 9.4   | 9.6  | 9.8  | 9.2   |
| GDP in constant (1958) dollars                              | 5.8   | 2.6  | -.2   | 2.4   | 4.4   | 4.5  | 6.5  | 4.9   |
| Final sales   | 5.3   | 3.8  | 6.3   | 6.3   | 2.5   | 1.5  | 7.2  | 4.5   |
| Private purchases   | 4.4   | 2.0  | 2.9   | 5.5   | 2.3   | 1.3  | 7.2  | 4.2   |
| GDP 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  | 10.3 | 8.6   |
| Wages and salaries  | 9.9   | 7.4  | 7.2   | 3.5   | 7.6   | 9.1  | 11.6 | 7.8   |
| Disposable income   | 7.8   | 7.1  | 8.2   | 5.5   | 6.1   | 7.1  | 10.0 | 8.8   |
| Corporate profits before tax                                | 9.5   | -3.6 | -23.4 | -0.5  | 5.6   | 27.0 | 19.2 | 15.6  |
| Federal government receipts and expenditures (N.I.A. basis) |       |      |       |       |       |      |      |       |
| Receipts  | 14.7  | 6.0  | 1.3   | -2.7  | 12.4  | 12.3 | 17.3 | 8.3   |
| Expenditures  | 15.8  | 15.0 | 23.7  | 4.7   | 7.6   | 4.8  | 12.1 | 17.1  |
| Nonfarm payroll employment                                  | 5.3   | 3.3  | 4.3   | 0.0   | 2.4   | 4.2  | 4.8  | 3.6   |
| Manufacturing   | 6.1   | 0.5  | 0.0   | -4.1  | -2.1  | 4.2  | 4.1  | 2.0   |
| Industrial production                                       | 9.0   | 1.0  | -5.5  | -3.1  | 3.3   | 5.9  | 6.3  | 6.2   |
| 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  |

**BUSINESS SPENDING FOR NEW PLANT AND EQUIPMENT**

|  | 1967  | 1968<br>Planned | 1967  |      | 1968 Planned |       |      | 2nd<br>Half |
|--|-------|-----------------|-------|------|--------------|-------|------|-------------|
|  |       |                 | III   | IV   | I            | II    |      |             |
| (Billions of dollars; quarterly and half-year figures are seasonally adjusted at annual rates)         |       |                 |       |      |              |       |      |             |
| All business   | 61.7  | 65.2            | 60.9  | 62.7 | 64.8         | 64.3  | 66.1 |             |
| Manufacturing  | 26.7  | 27.9            | 26.2  | 26.0 | 28.0         | 28.1  | 27.9 |             |
| Nonmanufacturing   | 35.0  | 37.3            | 34.8  | 36.7 | 36.8         | 36.2  | 38.2 |             |
| Railroad   | 1.5   | 1.3             | 1.4   | 1.4  | 1.5          | 1.2   | 1.3  |             |
| Nonrail transportation   | 3.9   | 4.5             | 4.1   | 4.5  | 4.0          | 3.9   | 5.1  |             |
| Public utilities   | 9.9   | 10.9            | 9.8   | 10.7 | 11.3         | 11.0  | 10.7 |             |
| Other  | 19.7  | 20.6            | 19.5  | 20.2 | 20.1         | 20.2  | 21.1 |             |
| Per cent change from preceding same-length period; quarterly and half-year figures are at annual rates |       |                 |       |      |              |       |      |             |
| All business   | 1.7   | 5.8             | -3.9  | 11.8 | 13.4         | 3.1   | 4.6  | II<br>-22   |
| Manufacturing  | -1.1  | 4.6             | -12.6 | -2.3 | 30.8         | 1.4   | -1.4 |             |
| Nonmanufacturing   | 4.0   | 6.7             | 2.9   | 22.4 | 1.1          | -6.5  | 9.3  |             |
| Railroad   | -22.7 | -17.0           | -38.7 | 0.0  | 14.3         | -82.8 | -7.7 |             |
| Nonrail transportation   | 12.8  | 16.2            | 20.5  | 34.1 | -40.5        | -10.0 | 58.2 |             |
| Public utilities   | 17.5  | 10.1            | 4.1   | 34.7 | 22.5         | -10.7 | -7.2 |             |
| Other  | - .8  | 4.9             | 2.1   | 15.4 | -2.0         | 2.0   | 9.4  |             |

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

|   | Fiscal years      |       |        |                | Calendar quarters |       |                |                 |
|---|-------------------|-------|--------|----------------|-------------------|-------|----------------|-----------------|
|   | 1968 <sup>e</sup> |       | 1968   | F.R.B.<br>Doc. | 1967              |       | 1968           |                 |
|   | 1966              | 1967  | Budget |                | III               | IV    | I <sup>e</sup> | II <sup>e</sup> |
| <u>Quarterly data, unadjusted</u>                               |                   |       |        |                |                   |       |                |                 |
| New Budget:   |                   |       |        |                |                   |       |                |                 |
| Surplus/deficit   | -3.7              | -8.8  | -21.7  | -23.1          | -8.5              | -11.0 | -8.3           | 4.8             |
| Receipts  | 130.9             | 149.6 | 153.9  | 153.9          | 35.4              | 31.9  | 37.9           | 48.7            |
| Total expenditures and net lending                              | 134.6             | 158.4 | 175.6  | 177.0          | 43.9              | 42.9  | 46.3           | 43.9            |
| Means of financing:   |                   |       |        |                |                   |       |                |                 |
| Total borrowing from the public                                 | 6.0               | 3.6   | 22.7   | 21.0           | 9.0               | 10.1  | 5.8            | -3.9            |
| Decrease in cash operating balance                              | .6                | 5.2   | -1.0   | 1.0            | -1.0              | 1.1   | .6             | .3              |
| Other <sup>1/</sup>   | -2.9              | --    | --     | 1.1            | .5                | -.2   | 1.9            | -1.2            |
| Memorandum:   |                   |       |        |                |                   |       |                |                 |
| Debt issued to public less investments in public securities by: |                   |       |        |                |                   |       |                |                 |
| Federal Land Banks  | .6                | .5    | .7     |                | .2                |       | .1             |                 |
| Federal Home Loan Banks   | 1.3               | -3.5  | .9     |                | .4                |       | .2             | n.e.] n.e.]     |
| <u>Seasonally adjusted annual rate</u>                          |                   |       |        |                |                   |       |                |                 |
| Federal surplus/deficit   |                   |       |        |                |                   |       |                |                 |
| in national income accounts                                     | .9                | -7.5  | -13.2  | -12.2          | -13.2             | -10.5 | -8.8           | -12.8           |
| Receipts <sup>2/</sup>  | 132.9             | 147.6 | 157.9  | 159.6          | 152.7             | 157.4 | 164.2          | 167.6           |
| Expenditures  | 131.9             | 155.1 | 171.1  | 171.8          | 165.9             | 167.9 | 173.0          | 180.4           |

- e - Projections based on existing tax rates, including extension of telephone and auto taxes.  
Assumes President's proposed corporate tax acceleration. Budget Document has been adjusted to remove surtax collections. n.e. - not estimated
- NOTE: The quarterly data for the new budget represent preliminary adjustment to new budget concepts and may be revised later.
- <sup>1/</sup> Includes deposit fund accounts, accrued, but unpaid interest and other miscellaneous items.  
<sup>2/</sup> Quarterly receipts do not add to fiscal year totals.

~~CONFIDENTIAL (FR)~~

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

March 29, 1968

Corrections

Page II - 5, paragraph 2. Present estimates exceed those implied in the Budget by \$900 million, at an annual rate, in the first quarter and \$1.9 billion in the second.

Page II - 7. The capacity utilization indexes for QIII and QIV 1967 should be 84.1 and 84.4, respectively. The QI 1968 estimate of industrial production shown here is believed to be consistent with projected GNP.

Page II - 10. Delete the first steel in next to the last sentence.

Appendix A, Chart 1, refers to acquisitions instead of holdings of the household sector. Page A - 10, end of line 3 below table, should read Estimates may understate.