CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

March 14, 1973

By the Staff
Board of Governors
of the Federal Reserve System

STAFF GNP PROJECTIONS

Date	Change in nominal GNP $ billion		Per cent increase, annual rate: Real GNP		Per cent increase, annual rate: Private GNP fixed weight price index		Per cent increase, annual rate: Unemployment rate	
	2/7/73	Current	2/7/73	Current	2/7/73	Current	2/7/73	Current
1971 1/	74.0	74.0	2.7	2.7	4.5	4.5	5.9	5.9
1972 1/	101.7	101.5	6.5	6.4	3.2	3.3	5.6	5.6
1973	122.2	124.4	6.6	6.6	3.8	4.0	4.8	4.8
1972-I 1/	31.0	31.0	6.5	6.5	4.5	4.5	5.8	5.8
-II 1/	30.3	30.3	9.4	9.4	2.5	2.5	5.7	5.7
-III 1/	24.6	24.6	6.3	6.3	2.9	2.9	5.6	5.6
-IV 1/	31.8	28.6	8.5	8.0	3.3	3.1	5.3	5.3
1973-I	34.4	36.8	6.5	6.5	4.3	5.1	5.0	5.0
-II	31.3	31.3	6.0	6.2	4.2	4.0	4.9	4.9
-III	27.9	28.5	4.8	4.8	4.1	4.3	4.8	4.8
-IV	26.6	27.2	4.0	3.9	4.3	4.6	4.7	4.7

1/ Actual.

With respect to underlying assumptions, growth in the monetary aggregates is now projected to be consistent with expansion in M_1 at around a 5-6 per cent annual rate, and some further rise in short-term market rates is expected. The staff has retained the fiscal assumptions of the preceding projection.

The latest readjustments in exchange rates, still in process, have required us to make some tentative modifications in our projections of net exports. The dollar value of imports is expected to increase sharply in the second quarter, as the higher prices resulting from devaluation of the dollar are more fully reflected in the trade figures. Thereafter, exports are projected to rise more rapidly than imports, reflecting the improved U.S. competitive position. By the fourth quarter, net exports of goods and services are projected to be in balance; our preceding projection had indicated a deficit of about $2 billion.

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)

	1972	1973 Proj.	1972 III	1972 IV	1973 Projected I	1973 Projected II	1973 Projected III	1973 Projected IV
Gross National Product	1151.8	1276.2	1164.0	1194.9	1231.7	1263.0	1291.5	1318.7
Final purchases	1145.9	1261.8	1156.0	1184.6	1221.0	1249.0	1276 0	1301.2
Private	891.3	986.7	900.4	925.3	954.8	976.7	998.1	1017.2
Excluding net exports	895.5	989.2	903.8	928.8	957.8	981.2	1000.6	1017.2
Personal consumption expenditures	721.0	795.0	728.6	745.7	767.1	788.5	804.8	819.6
Durable goods	116.1	130.5	118.6	120.8	125.8	130.5	132.5	133.0
Nondurable goods	299.5	332.2	302.0	310.4	319.8	329.3	336.3	343.4
Services	305.4	332.4	308.0	314.5	321.5	328.7	336.0	343.2
Gross private domestic investment	180.4	208.8	183.2	193.4	201.4	206.7	211.3	215.1
Residential construction	54.0	54.8	54.4	57.0	58.2	55.2	53.8	52.1
Business fixed investment	120.5	139.5	120.7	126.1	132.5	137.5	142.0	146.0
Change in business inventories	5.9	14.4	8.0	10.3	10.7	14.0	15.5	17.0
Nonfarm	5.6	14.4	7.9	10.1	10.7	14.0	15.5	17.0
Net exports of goods and services	-4.2	-2.5	-3.4	-3.5	-3.0	-4.5	-2.5	0.0
Exports	73.7	91.3	74.4	79.6	85.0	89.5	93.5	97.0
Imports	77.9	93.8	77.8	83.1	88.0	94.0	96.0	97.0
Gov't. purchases of goods and services	254.6	275.1	255.6	259.3	266.2	272.3	277.9	284.0
Federal	105.8	107.8	105.4	104.0	106.0	107.1	108.2	109.8
Defense	75.9	74.6	75.1	73.2	74.5	74.5	74.6	74.9
Other	29.9	33.2	30.2	30.8	31.5	32.6	33.6	34.9
State & local	148.8	167.3	150.2	155.2	160.2	165.2	169.7	174.2
Gross national product in constant (1958) dollars	789.5	841.4	796.1	811.6	824.8	837.6	847.6	855.8
GNP implicit deflator (1958 = 100)	145.9	151.7	146.2	147.2	149.3	150.8	152.4	154.1
Personal income	935.9	1028.9	939.9	974.6	996.6	1019.3	1039.5	1060.2
Wage and salary disbursements	627.0	692.6	630.8	648.8	668.1	685.7	700.7	715 7
Disposable income	795.1	880.7	798.8	828.2	857.4	876.9	886.4	902.0
Personal saving	54.8	65.2	50.8	62.8	70.3	68.0	60.9	61.4
Saving rate (per cent)	6.9	7.4	6.4	7.6	8.2	7.8	6.9	6.8
Corporate profits before tax	94.5 1/	111.5	95.7	102.5 1/	106.5	110.0	113.0	116.5
Corp. cash flow, net of div. (domestic)	91.8 1/	104.6	93.1	97.5 1/	100.5	103.3	105.9	108.5
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	228.2	256.5	229.8	239.0	243.7	249.4	262.8	269.9
Expenditures	246.8	267.9	241.6	262.7	268.6	265.1	267.1	270.8
Surplus or deficit (-)	-18.5	-11.4	-11.8	-23.7	-24.9	-15 7	- 4.3	- 0.9
High employment surplus or deficit (-)	- 0.4	- 4 7	4.4	-11.6	-13.6	- 6.8	0.0	1.6
State and local government surplus or deficit (-), N I.A. basis	12.6	10.8	9.4	19.6	17.2	9.8	8.6	7.6
Total labor force (millions)	89.0	90.6	89.3	89.6	89.9	90.4	90.8	91.2
Armed forces "	2.4	2.4	2.4	2.4	2.4	2.4	2.3	2.3
Civilian labor force "	86.5	88.2	86.9	87.2	87.5	88.0	88.5	88.9
Unemployment rate (per cent)	5.6	4.8	5.6	5.3	5.0	4.9	4.8	4.7
Nonfarm payroll employment (millions)	72.8	75.2	72.9	73.8	74.5	75.0	75.5	75.8
Manufacturing	18.9	19.7	18.9	19.3	19.5	19.7	19.8	19.8
Industrial production (1967 = 100)	114.4	124.0	115.0	118.4	120.8	123.4	125.3	126.6
Capacity utilization, manufacturing (per cent)	77.6	81 1	78.1	79.6	80.3	81.1	81.5	81.5
Housing starts, private (millions, A.R.)	2.36	2.10	2.37	2.40	2.28	2.15	2.05	1.90
Sales new autos (millions, A.R.)	10.94	11.63	11.54	11.68	12.00	12.00	11.50	11.00
Domestic models	9.32	9.99	9.90	9.90	10.10	10.35	10.00	9.50
Foreign models	1.62	1.64	1.64	1.78	1.90	1.65	1.50	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 the method suggested by Okun and Teeters.

1/ F.R. estimate.

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1972	1973 Proj.	1972 III	1972 IV	1973 Projection I	1973 Projection II	1973 Projection III	1973 Projection IV
	Billions of Dollars							
Gross National Product	101.4	124.4	24.6	30.9	36.8	31.3	28.5	27.2
Inventory change	2.3	8.5	3.0	2.3	0.4	3.3	1.5	2.0
Final purchases	99.2	115.9	21.6	28.6	36.4	28.0	27.0	25.2
Private	77.4	95.4	20.1	24.9	29.5	21.9	21.4	19.1
Excluding net exports	82.3	93.7	18.3	25.0	29.0	23.4	19.4	16.6
Net exports	-4.8	1.7	1.8	-0.1	0.5	-1.5	2.0	2.5
Government	21.8	20.5	1.5	3.7	6.9	6.1	5.6	6.1
GNP in constant (1958) dollars	47.8	51.9	12.2	15.5	13.2	12.8	10.0	8.2
Final purchases	45.8	45.5	9.8	13.8	12.5	11.1	8.6	6.6
Private	40.6	42.2	11.1	13.7	11.2	9.4	7.4	5.3
	Per Cent Per Year							
Gross National Product	9.7	10.8	8.9	11.0	12.3	10.2	9.0	8.4
Final purchases	9.5	10.1	7.6	9.9	12.3	9.2	8.6	7.9
Private	9.0	10.7	9.1	11.1	12.8	9.2	8.8	7.7
Personal consumption expenditures	8.4	10.3	8.5	9.4	11.5	11.2	8.3	7.4
Durable goods	12.2	12.4	16.5	7.4	16.6	14.9	6.1	1.5
Nondurable goods	7.7	10.9	6.5	11.1	12.1	11.9	8.5	8.4
Services	7.8	8.8	7.4	8.4	8.9	9.0	8.9	8.6
Gross private domestic investment	18.7	15.7	14.0	22.3	16.5	10.5	8.9	8.1
Residential construction	26.8	1.5	12.1	19.1	8.4	-20.6	-10.1	-12.6
Business fixed investment	13.9	15.8	5.0	17.9	20.3	15.1	13.1	11.3
Gov't. purchases of goods & services	9.4	8.1	2.4	5.8	10.6	9.2	8.2	8.8
Federal	8.2	1.9	-10.0	-5.3	7.7	4.2	4.1	5.9
Defense	6.3	-1.7	-17.8	-10.1	7.1	0.0	0.5	1.6
Other	13.7	11.0	8.1	7.9	9.1	14.0	12.3	15.5
State & local	10.2	12.4	11.5	13.3	12.9	12.5	10.9	10.6
GNP in constant (1958) dollars	6.4	6.6	6.3	8.0	6.5	6.2	4.8	3.9
Final purchases	6.2	5.8	5.0	7.0	6.2	5.4	4.2	3.2
Private	6.7	6.6	7.0	8.5	6.8	5.6	4.3	3.1
GNP implicit deflator	3.0	4.0	2.4	2.8	5.7[1/]	3.9	4.2	4.5
Private GNP fixed weight index[2/]	3.3	4.0	2.9	3.1	5.1	4.0	4.3	4.6
Personal income	8.6	9.9	7.5	14.8	9.0	9.1	7.9	8.0
Wage and salary disbursements	9.4	10.5	6.4	11.4	11.9	10.5	8.8	8.6
Disposable income	6.8	10.8	8.2	14.7	14.1	9.1	4.3	7.0
Corporate profits before tax	13.4[3/]	18.0	17.9	28.4[3/]	15.6	13.1	10.9	12.4
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	14.6	12.1	8.7	16.0	7.9	9.4	21.5	10.8
Expenditures	11.8	8.5	8.0	34.9	9.0	-5.2	3.0	5.5
Nonfarm payroll employment	3.0	3.3	2.2	4.9	3.8	2.7	2.7	1.6
Manufacturing	2.2	4.0	0.0	8.5	4.1	4.1	2.0	0.0
Industrial production	7.1	8.4	6.7	11.8	8.1	8.6	6.2	4.3
Housing starts, private	12.9	-11.0	15.1	5.1	-19.2	-22.8	-18.6	-29.3
Sales new autos	6.8	6.3	41.9	4.7	11.1	0.0	-16.6	-17.4
Domestic models	7.4	7.1	44.4	0.0	8.1	9.9	-13.5	-20.0
Foreign models	3.0	1.2	27.7	33.7	27.9	-52.6	-36.4	0.0

1/ Excluding Federal pay increase, 5.0 per cent annual rate.

2/ Using expenditures in 1967 as weights.

3/ Based on F.R. estimate.

SELECTED LONG-TERM INTEREST RATES
(Per cent)

	New Aaa utility bonds 1/	Recently offered Aaa utility bonds 2/	Long-term State & Local bonds 3/	U. S. Gov't. (10-year constant maturity)
1971				
Low	7.02 (2/5)	7.14 (12/31)	4.97 (10/21)	5.38 (3/23)
High	8.26 (7/30)	8.19 (1/2)	6.23 (6/24)	6.95 (7/28)
1972				
Low	6.99 (11/24)	7.12 (12/1)	4.96 (12/7)	5.85 (1/14)
High	7.60 (4/21)	7.46 (4/21)	5.54 (4/13)	6.63 (9/25)
1973				
Low	7.29 (1/12)	7.26 (1/1)	5.00 (1/19)	6.42 (1/5)
High	7.46 (2/9)	7.56 (3/9)	5.27 (3/9)	6.66 (2/9)
Feb. 2	7.38	7.41	5.16	6.57
9	7.46	7.43	5.16	6.64
16	7.34	7.39	5.06	6.62
23	--*	7.37	5.13	6.65
March 2	--*	7.45	5.22	6.65
9	--*	7.56p	5.27	6.66p

p/ Preliminary.
1/ FRB Series.
2/ New FRB Series.
3/ Bond Buyer.
* No observations available for new issues of A quality rating or higher.

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

	1972	1972 QIV	1973 Feb. e/	1973 Mar. f/	1973 Apr. f/
Corporate Securities					
Total	3,398	3,521	2,175	3,700	2,300
Public bonds	1,528	1,386	625	1,100	1,000
Privately placed	780	1,049	700	900	600
Stock	1,087	1,086	850	1,700	700
State & local government securities	1,970	1,952	1,400	1,600	1,600

e/ Estimated.
f/ Forecast.

PROJECTION OF TREASURY CASH OUTLOOK
(In billions of dollars)

	Feb.	March	April	May
Total net borrowing	4.1	3.4	-2.1	1.4
Weekly and monthly bills	.1	--	.2	.1
Tax bills	--	--	-2.0	--
Coupon issues	1.0	--	--	--
As yet unspecified new borrowing	--	--	--	2.0
Special issues to foreigners	4.9	3.4	--	--
Agency transactions, debt repayment, etc.	-1.9	--	-.3	-.7
Plus: Other net financial sources a/	-.7	1.6	.5	.6
Plus: Budget surplus or deficit (-)	-3.0	-5.8	0.8	-4.5
Equals: Change in cash balance	0.4 b/	-0.8	-0.8	-2.5
Memoranda: Level of cash balance, end of period	11.8 b/	11.0	10.2	7.7
Derivation of budget surplus or deficit:				
Budget receipts	17.2	14.7	24.5	17.2
Budget outlays	20.2	20.5	23.7	21.7
Maturing coupon issues held by public	4.7	--	--	4.4
Sales of financial assets	0.1	0.9	0.8	0.9
Budget agency borrowing	--	--	0.2	--
Net borrowing by government-sponsored agencies	0.5	0.4	1.1	0.9

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

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

	Fiscal 1973 e/		FY 1974e/	Calendar Years		F.R. Staff Estimates				
						Calendar Quarters				
						1972	1973			
	Jan. Budget	F.R. Board	Jan. Budget	1972 Actual	1973 F.R.B. e/	IV*	I	II	III	IV
Federal Budget						Unadjusted data				
Surplus/deficit	-24.8	-21.8	-12.7	-17.4	-17.1	-10.5	-11.3	2.0	-0.2	-7.6
Receipts	225.0	228.0	256.0	221.5	243.4	50.5	53.0	68.9	64.0	57.5
Outlays	249.8	249.8	268.7	239.0	260.5	60.9	64.3	66.9	64.2	65.1
Means of financing:										
Net borrowing from the public	25.0	23.2	16.5	15.2	12.9	12.3	9.0	-3.2	--	7.1
Decrease in cash operating balance	3.0	0.4	n.a.	0.2	4.1	-1.3	0.1	1.3	1.7	1.0
Other 1/	-3.2	-1.8	n.a.	2.0	0.1	-0.5	2.2	-0.1	-1.5	-0.5
Cash operating balance, end of period	7.1	9.7	n.a.	11.1	7.0	11.1	11.0	9.7	8.0	7.0
Memo 2/: Sales of financial assets 3/	5.5	5.5	4.0	3.1	n.e.	1.1	1.1	2.6	n.e.	n.e.
Budget agency borrowing 4/	1.4	1.0	2.5	0.7	n.e.	0.3	0.0	0.2	n.e.	n.e.
Sponsored agency borrowing 5/	n.a.	5.0	n.a.	3.1	7.7	0.8	1.2	2.3	n.e.	n.e.
National Income Sector						Seasonally adjusted, annual rates				
Surplus/deficit	-26.6	-23.2	-12.5	-18.0	-11.4	-23.7	-24.9	-15.7	-4.3	-.9
Receipts	233.3	236.3 6/	263.0	228.8	256.5	239.0	243.7	249.4	262.8	269.9
Expenditures	259.9	259.5	275.5	246.8	267.9	262.7	268.6	265.1	267.1	270.8
High Employment surplus/deficit (NIA basis) 7/	n.a.	-6.9	n.a.	-0.4	-4.7	-11.6	-13.6	-6.8	0.0	1.6

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

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

2/ The sum of sponsored and budget agency debt issues and financial asset sales does not necessarily reflect the volume of debt absorbed by the public, since both the sponsored and budget agencies acquire a portion of these issues.

3/ Includes net sales of loans held by the Commodity Credit Corporation, Farmers Home Adm., Government National Mortgage Assn., Federal Housing Adm., and Veterans Adm. Receipts from these sales are netted against Federal Budget Outlays shown above.

4/ Includes, for example, debt issued by the U.S. Postal Service, Export-Import Bank, and Tennessee Valley Authority, which is included in the Net Treasury Borrowing from the Public shown above.

5/ 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.

6/ Quarterly average exceeds fiscal year total by $4.2 billion due to spreading of wage base and refund effect over calendar year.

7/ Estimated by F.R. Board Staff.