

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

April 11, 1973

By the Staff
Board of Governors
of the Federal Reserve System

Taking into account the upward revisions for the first quarter, the figures for the year as a whole now show somewhat more expansion in nominal GNP, mainly due to a larger rise in prices. The projected increase in real GNP over the year is little changed from that of four weeks ago.

STAFF GNP PROJECTIONS

Date	Change in nominal GNP \$ billion		Per cent increase, annual rate				Unemployment rate	
	3/14/73	Current	Real GNP		Private GNP fixed weight price index		3/14/73	Current
			3/14/73	Current	3/14/73	Current		
1971 ^{1/}	74.0	74.0	2.7	2.7	4.5	4.5	5.9	5.9
1972 ^{1/}	101.4	101.4	6.4	6.4	3.3	3.3	5.6	5.6
1973	124.4	128.8	6.6	6.7	4.0	4.3	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/}	30.9	30.9	8.0	8.0	3.1	3.1	5.3	5.3
1973-I	36.8	40.1	6.5	7.0	5.1	6.2	5.0	5.0
-II	31.3	32.5	6.2	6.1	4.0	4.5	4.9	4.9
-III	28.5	29.0	4.8	4.8	4.3	4.3	4.8	4.8
-IV	27.2	27.0	3.9	3.8	4.6	4.6	4.7	4.7
Change: 1972-IV to 1973-IV	123.8	128.6	5.4	5.5	4.6	5.0	-.6	-.6
^{1/} Actual.								

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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.)

	1972	1973 Proj.	1972		1973			
			III	IV	Projected			
					I	II	III	IV
Gross National Product	1151.8	1280.6	1164.0	1194.9	1235.0	1267.5	1296.5	1323.5
Final purchases	1145.9	1267.1	1156.0	1184.6	1228.3	1254.5	1280.0	1305.5
Private	891.3	991.7	900.4	925.3	961.1	982.2	1002.1	1021.5
Excluding net exports	895.5	995.2	903.8	928.8	965.4	987.5	1005.4	1022.3
Personal consumption expenditures	721.0	799.7	728.6	745.7	773.4	793.5	808.6	823.3
Durable goods	116.1	132.4	118.6	120.8	128.5	132.5	134.0	134.5
Nondurable goods	299.5	336.3	302.0	310.4	324.6	333.5	340.0	347.0
Services	305.4	331.0	308.0	314.5	320.3	327.5	334.6	341.8
Gross private domestic investment	180.4	209.0	183.2	193.4	198.7	207.0	213.3	217.0
Residential construction	54.0	55.9	54.4	57.0	59.3	56.5	54.8	53.0
Business fixed investment	120.5	139.6	120.7	126.1	132.7	137.5	142.0	146.0
Change in business inventories	5.9	13.5	8.0	10.3	6.7	13.0	16.5	18.0
Nonfarm	5.6	13.5	7.9	10.1	6.5	13.0	16.5	18.0
Net exports of goods and services ^{1/}	-4.2	-3.4	-3.4	-3.5	-4.3	-5.3	-3.3	-0.8
Exports	73.7	93.7	74.4	79.6	87.1	92.1	96.1	99.6
Imports	77.9	97.1	77.8	83.1	91.4	97.4	99.4	100.4
Gov't. purchases of goods and services	254.6	275.3	255.6	259.3	267.2	272.3	277.9	284.0
Federal	105.8	108.0	105.4	104.0	107.0	107.1	108.2	109.8
Defense	75.9	74.8	75.1	73.2	75.3	74.5	74.6	74.9
Other	29.9	33.2	30.2	30.8	31.7	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	842.2	796.1	811.6	825.8	838.3	848.4	856.4
GNP implicit deflator (1958 = 100)	145.9	152.1	146.2	147.2	149.6	151.2	152.8	154.5
Personal income	935.9	1028.5	939.9	974.6	994.5	1019.9	1040.0	1060.0
Wage and salary disbursements	627.0	693.7	630.8	648.8	668.9	686.4	702.5	717.0
Disposable income	795.1	879.0	798.8	828.2	851.0	878.4	885.6	901.2
Personal saving	54.8	58.7	50.8	62.8	57.4	64.4	56.2	56.9
Saving rate (per cent)	6.9	6.7	6.4	7.6	6.7	7.3	6.3	6.3
Corporate profits before tax	94.3p	119.7	95.7	101.9p	117.0	119.0	120.5	122.5
Corp. cash flow, net of div. (domestic)	91.8p	109.0	93.1	97.2p	106.3	108.3	109.9	111.4
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	228.7p	261.2	229.8	238.6p	252.6	252.2	267.1	272.7
Expenditures	246.8	266.5	241.6	262.7	262.9	265.1	267.1	270.8
Surplus or deficit (-)	-18.1p	-5.3	-11.8	-24.1p	-10.3	-12.9	0.0	1.9
High employment surplus or deficit (-)	-0.4	-3.3	4.4	-11.6	-8.0	-7.0	-0.3	2.4
State and local government surplus or deficit (-), N.I.A. basis	12.7p	10.2	9.4	19.5p	13.7	10.1	9.0	8.1
Total labor force (millions)	89.0	90.8	89.3	89.6	90.0	90.6	91.0	91.4
Armed forces "	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Civilian labor force "	86.5	88.4	86.9	87.2	87.6	88.2	88.6	89.0
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	75.3	72.9	73.8	74.6	75.1	75.6	75.9
Manufacturing	18.9	19.7	18.9	19.3	19.6	19.7	19.8	19.8
Industrial production (1967 = 100)	114.4	124.0	115.0	118.4	120.7	123.3	125.2	126.6
Capacity utilization, manufacturing (per cent)	77.6	81.0	78.1	79.6	80.2	81.0	81.4	81.4
Housing starts, private (millions, A.R.)	2.36	2.13	2.37	2.40	2.38	2.18	2.05	1.90
Sales new autos (millions, A.R.)	10.94	11.71	11.53	11.69	12.23	12.10	11.50	11.00
Domestic models	9.32	10.03	9.91	9.90	10.27	10.35	10.00	9.50
Foreign models	1.62	1.68	1.61	1.79	1.95	1.75	1.50	1.50
^{1/} GNP exports and imports estimates for 1972 have not yet been revised to reflect revised Balance of Payments estimates incorporating new seasonal factors; these revised estimates for 1972 and corresponding projections for 1973 are:								
Net exports of goods and services	-4.2	-2.6	-3.5	-2.6	-3.5	-4.5	-2.5	0.0
Exports	77.5	94.1	73.9	80.0	87.5	92.5	96.5	100.0
Imports	77.8	96.8	77.3	82.7	91.0	97.0	99.0	100.0

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CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1972	1973 Proj.	1972		1973 Projected			
			III	IV	I	II	III	IV
-----Billions of Dollars-----								
Gross National Product	101.4	128.8	24.6	30.9	40.1	32.5	29.0	27.0
Inventory change	2.3	7.6	3.0	2.3	-3.6	6.3	3.5	1.5
Final purchases	99.2	121.2	21.6	28.6	43.7	26.2	25.5	25.5
Private	77.4	100.4	20.1	24.9	35.8	21.1	19.9	19.4
Excluding net exports	82.3	99.7	18.3	25.0	36.6	22.1	17.9	16.9
Net exports	-4.8	0.8	1.8	-0.1	-0.8	-1.0	2.0	2.5
Government	21.8	20.7	1.5	3.7	7.9	5.1	5.6	6.1
GNP in constant (1958) dollars	47.8	52.7	12.2	15.5	14.2	12.5	10.1	8.0
Final purchases	45.8	47.1	9.8	13.8	17.5	7.6	7.2	6.4
Private	40.6	43.6	11.1	13.7	15.6	6.5	5.9	5.1
-----Per Cent Per Year-----								
Gross National Product	9.7	11.2	8.9	11.0	13.4	10.5	9.2	8.3
Final purchases	9.5	10.6	7.6	9.9	14.8	8.5	8.1	8.0
Private	9.0	11.3	9.1	11.1	15.5	8.8	8.1	7.7
Personal consumption expenditures	8.4	10.9	8.5	9.4	14.9	10.4	7.6	7.3
Durable goods	12.2	14.0	16.5	7.4	25.5	12.5	4.5	1.5
Nondurable goods	7.7	12.3	6.5	11.1	18.3	11.0	7.8	8.2
Services	7.8	8.4	7.4	8.4	7.4	9.0	8.7	8.6
Gross private domestic investment	18.7	15.9	14.0	22.3	11.0	16.7	12.2	6.9
Residential construction	26.8	3.5	12.1	19.1	16.1	-18.9	-12.0	-13.1
Business fixed investment	13.9	15.8	5.0	17.9	20.9	14.5	13.1	11.3
Gov't. purchases of goods & services	9.4	8.1	2.4	5.8	12.2	7.6	8.2	8.8
Federal	8.2	2.1	-10.0	-5.3	11.5	0.4	4.1	5.9
Defense	6.3	-1.4	-17.8	-10.1	11.5	-4.2	0.5	1.6
Other	13.7	11.0	8.1	7.9	11.7	11.4	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	6.7	6.3	8.0	7.0	6.1	4.8	3.8
Final purchases	6.2	6.0	5.0	7.0	8.7	3.7	3.5	3.1
Private	6.7	6.8	7.0	8.5	9.4	3.9	3.5	2.9
GNP implicit deflator	3.0	4.2	2.4	2.8	6.3 ^{1/}	4.4	4.3	4.5
Private GNP fixed weight index ^{2/}	3.3	4.3	2.9	3.1	6.2	4.5	4.3	4.6
Personal income	8.6	9.9	7.5	14.8	8.2	10.2	7.9	7.7
Wage and salary disbursements	9.4	10.6	6.4	11.4	12.4	10.5	9.4	8.3
Disposable income	6.8	10.6	8.2	14.7	11.0	12.9	3.3	7.0
Corporate profits before tax	13.2p	26.9	17.9	25.9p	59.3	6.8	5.0	6.6
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	14.9p	14.2	8.7	15.3p	23.5	-0.6	23.6	8.4
Expenditures	11.8	8.0	8.0	34.9	0.3	3.3	3.0	5.5
Nonfarm payroll employment	3.0	3.5	2.2	4.9	4.2	2.6	2.7	1.6
Manufacturing	2.2	4.1	0.0	8.0	4.8	3.0	2.0	0.0
Industrial production	7.1	8.4	6.7	11.8	7.9	8.5	6.2	4.3
Housing starts, private	14.9	-9.8	15.1	6.4	-3.8	-3.4	-23.0	-29.3
Sales new autos	6.8	7.1	41.9	5.7	18.4	-4.2	-19.8	-17.4
Domestic models	7.4	7.6	44.4	-0.5	15.2	3.0	-13.5	-20.0
Foreign models	3.3	4.2	27.7	44.1	36.4	-41.8	-57.1	0.0

^{1/} Excluding Federal pay increase, 5.6 per cent annual rate.^{2/} Using expenditures in 1967 as weights.

Offerings of public bonds by corporations amounted to \$1.1 billion in March, and the staff estimates that April volume will be somewhat lower. Underwriters indicate that few industrial corporations plan to issue debt in the near future. At this time it appears that public bond volume might average only about \$1 billion a month during the second quarter of 1973, a seasonally light supply. On the other hand, takedowns of private placements appear to be edging up further on average from the high levels prevailing in 1972.

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

	1972	1972 QIV	1973 QI <u>e/</u>	1973 Mar. <u>e/</u>	1973 Apr. <u>f/</u>
Corporate Securities					
Total	3,398	3,521	2,820	4,050	3,000
Public bonds	1,528	1,386	905	1,100	1,000
Privately placed bonds	780	1,049	632	1,000	800
Stock	1,087	1,086	1,283	1,950	1,200
State and local gov't. securities	1,970	1,952	1,872	2,200	1,700

e/ Estimated
f/ Forecast

The March estimate of new stock issues has been revised to about \$2 billion and now includes new issues of shares in closed-end income funds, which the SEC recently began to report in the stock figures. The staff estimate for April has also been increased to take account of such issues. On the basis of scheduled utility stock issues, stock volume might well remain close to the \$1 billion level throughout the second quarter.

PROJECTION OF TREASURY CASH OUTLOOK
(In billions of dollars)

	March	April	May	June
<u>Total net borrowing</u>	3.3	-1.7	-0.6	-2.2
Weekly and monthly bills	--	0.2	0.1	--
Tax bills	--	-2.0	--	-2.5
Coupon issues	--	--	--	--
As yet unspecified new borrowing	--	--	--	--
Special issues to foreigners	3.0	--	--	--
Agency transactions, debt repayment, etc.	.3	0.1	-0.7	0.3
Plus: <u>Other net financial sources</u> ^{a/}	1.9	0.3	0.6	-0.7
Plus: <u>Budget surplus or deficit (-)</u>	-4.1	1.7	-3.5	4.8
Equals: <u>Change in cash balance</u>	1.1 ^{b/}	0.3	-3.5	1.9
Memoranda: Level of cash balance, end of period	12.9 ^{b/}	13.2	9.7	11.6
Derivation of budget surplus or deficit:				
Budget receipts	15.6	24.9	18.2	27.6
Budget outlays	19.7	23.2	21.7	22.3
Maturing coupon issues held by public	--	--	4.3	--
Sales of financial assets	0.9	0.4	1.1	1.3
Budget agency borrowing	--	-0.6	--	--
Net borrowing by government-sponsored agencies	0.4	2.1	1.2	0.3

^{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 1974 e/ Budget	Calendar Years		F.R. Staff Estimates				
	Jan. Budget	F.R. Board		1972 Actual	1973 F.R.B. e/	Calendar Quarters				
						1972 IV*	1973			
							I	II	III	IV
<u>Federal Budget</u>										
Surplus/deficit	-24.8	-18.3	-12.7	-17.4	-11.3	-10.5	-8.8	3.0	--	-5.6
Receipts	225.0	231.5	256.0	221.5	248.4	50.5	54.8	70.7	64.5	58.4
Outlays	249.8	249.3	268.7	239.0	259.7	60.9	63.5	67.7	64.5	64.0
Means of financing:										
Net borrowing from the public	25.0	21.6	16.5	15.2	8.2	12.3	8.7	-4.5	1.7	2.3
Decrease in cash operating balance	3.0	-1.5	n.a.	0.2	3.1	-1.3	-1.8	1.3	-0.2	3.8
Other <u>1/</u>	-3.2	-1.8	n.a.	2.0	0.1	-0.5	1.9	.2	-1.5	-0.5
Cash operating balance, end of period	7.1	11.6	n.a.	11.1	8.0	11.1	12.9	11.6	11.8	8.0
Memo <u>2/</u> : Sales of financial assets <u>3/</u>	5.5	5.9	4.0	3.1	n.e.	1.1	1.3	2.7	n.e.	n.e.
Budget agency borrowing <u>4/</u>	1.4	0.4	2.5	0.8	0.2	0.3	--	-0.6	0.4	0.4
Sponsored agency borrowing <u>5/</u>	7.6	6.5	9.6	3.1	10.9	0.8	1.5	3.6	3.4	2.4
<u>National Income Sector</u>										
Surplus/deficit	-26.6	-19.0	-12.5	-18.1	-5.3	-24.1 ^{p/}	-10.3	-12.9	--	1.9
Receipts	233.3	239.1 ^{6/}	263.0	228.7	261.2	238.6 ^{p/}	252.6	252.2	267.1	272.7
Expenditures	259.9	258.1	275.5	246.8	266.5	262.7	262.9	265.1	267.1	270.8
High Employment surplus/deficit (NIA basis) <u>7/</u>	n.a.	- 5.6	n.a.	-0.4	-3.3	-11.6	-8.0	-7.0	-0.3	2.4

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

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.