

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

May 9, 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				Unemployment rate	
	4/11/73	Current	Real GNP		Private GNP fixed weight price index		4/11/73	Current
			4/11/73	Current	4/11/73	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	128.8	131.3	6.7	6.8	4.3	4.6	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 ^{1/}	40.1	40.6	7.0	7.9	6.2	6.7	5.0	5.0
-II	32.5	34.5	6.1	6.0	4.5	5.3	4.9	4.9
-III	29.0	29.5	4.8	4.8	4.3	4.4	4.8	4.8
-IV	27.0	28.0	3.8	3.9	4.6	4.7	4.7	4.7
Change: 1972-IV to 1973-IV	128.6	132.6	5.5	5.7	5.0	5.3	- .6	- .6
^{1/} Actual.								

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		Ip	1973 Projected		
			III	IV		II	III	IV
Gross National Product	1151.8	1283.1	1164.0	1194.9	1235.5 ^{1/}	1270.0	1299.5	1327.5
Final purchases	1145.9	1268.7	1156.0	1184.6	1229.3 ^{1/}	1256.0	1281.5	1308.0
Private	891.3	993.7	900.4	925.3	962.5 ^{2/}	984.1	1004.0	1024.4
Excluding net exports	895.5	997.7	903.8	928.8	965.2	989.6	1009.0	1027.0
Personal consumption expenditures	721.0	800.3	728.6	745.7	773.7	793.6	809.5	824.4
Durable goods	116.1	139.1	118.6	120.8	130.1	133.0	134.5	135.0
Nondurable goods	299.5	335.9	302.0	310.4	322.9	332.9	340.2	347.4
Services	305.4	331.3	308.0	314.5	320.7	327.7	334.8	342.0
Gross private domestic investment	180.4	211.9	183.2	193.4	197.7 ^{1/}	210.0	217.5	222.1
Residential construction	54.0	56.6	54.4	57.0	59.2	57.7	55.7	53.8
Business fixed investment	120.5	140.8	120.7	126.1	132.3 ^{1/}	138.3	143.8	148.8
Change in business inventories	5.9	14.4	8.0	10.3	6.2 ^{1/}	14.0	18.0	19.5
Nonfarm	5.6	14.3	7.9	10.1	5.9 ^{1/}	14.0	18.0	19.5
Net exports of goods and services ^{2/}	-4.2	-4.0	-3.4	-3.5	-2.7 ^{1/}	-5.5	-5.0	-2.6
Exports	73.7	93.0	74.4	79.6	88.1 ^{1/}	91.8	94.0	98.2
Imports	77.9	97.0	77.8	83.1	90.8 ^{1/}	97.3	99.0	100.8
Gov't. purchases of goods and services	254.6	274.9	255.6	259.3	266.8	271.9	277.5	283.6
Federal	105.8	108.0	105.4	104.0	107.0	107.1	108.2	109.8
Defense	75.9	74.5	75.1	73.2	75.0	74.2	74.3	74.6
Other	29.9	33.5	30.2	30.8	32.1	32.9	33.9	35.2
State & local	148.8	166.9	150.2	155.2	159.8	164.8	169.3	173.8
Gross national product in constant (1958) dollars	789.5	843.5	796.1	811.6	827.1	839.5	849.6	857.9
GNP implicit deflator (1958 = 100)	145.9	152.1	146.2	147.2	149.4	151.3	152.9	154.7
Personal income	935.9	1028.9	939.9	974.6	993.9	1019.5	1041.0	1061.0
Wage and salary disbursements	627.0	691.3	630.6	648.8	668.4	684.5	699.3	713.0
Disposable income	795.1	880.0	798.8	828.2	850.9	876.0	888.6	904.6
Personal saving	54.8	59.0	50.8	62.8	57.3	61.7	58.0	58.8
Saving rate (per cent)	6.9	6.7	6.4	7.6	6.7	7.0	6.5	6.5
Corporate profits before tax	94.3	119.0	95.7	101.5	113.9	118.0	120.5	123.5
Corp. cash flow, net of div. (domestic)	91.7	108.0	93.1	97.1	104.4	107.4	109.2	111.1
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	228.6	260.3	229.8	238.4	251.1	253.9	265.1	271.1
Expenditures	246.8	265.4	241.6	262.7	260.4	264.0	266.8	270.5
Surplus or deficit (-)	-18.1	-5.1	-11.8	-24.3	-9.3	-10.1	-1.7	0.6
High employment surplus or deficit (-)	-0.9	-0.8	3.9	-12.1	-1.5	-4.3	-0.3	2.9
State and local government surplus or deficit (-), N.I.A. basis	12.7	11.3	9.4	19.5	14.6	11.4	10.3	9.0
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	75.2	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	124.1	115.0	118.4	120.8	123.4	125.4	126.7
Capacity utilization: Mfg. (per cent)	77.6	81.2	78.1	79.7	80.5	81.2	81.5	81.5
Major materials (per cent) ^{3/}	89.6	94.5	90.6	92.2	93.6	94.4	94.8	95.2
Housing starts, private (millions, A.R.)	2.38	2.13	2.37	2.40	2.40	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	1.61	1.68	1.61	1.79	1.95	1.75	1.50	1.50

^{1/} F. R. estimates reflecting more recent balance of payments data than were incorporated in the Commerce preliminary estimates.

^{2/} 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 & services	-4.2	-3.1	-3.5	-2.6	-1.8	-4.6	-4.1	-1.7
Exports	77.5	93.5	73.9	80.1	88.6	92.3	94.5	98.7
Imports	77.8	96.6	77.3	82.7	90.4	96.9	98.6	100.4

^{3/} Unpublished, preliminary F.R.B. measure of capacity utilization for a selected grouping of major materials producing industries (to be discussed in forthcoming supplement to Greenbook). Not for use outside of U. R. System.

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1972	1973 Proj.	1972		1973 Projected			
			III	IV	I _p	II	III	IV
-----Billions Of Dollars-----								
Gross National Product	101.4	131.3	24.6	30.9	40.6	34.5	29.5	28.0
Inventory change	2.3	8.5	3.0	2.3	-4.1	7.8	4.0	1.5
Final purchases	99.2	122.8	21.6	28.6	44.7	26.7	25.5	26.5
Private	77.4	102.4	20.1	24.9	37.3	21.6	19.9	20.4
Excluding net exports	82.3	102.2	18.3	25.0	36.4	24.4	19.4	18.0
Net exports	-4.9	0.2	1.8	-0.1	0.8	-2.8	0.5	2.4
Government	21.8	20.3	1.5	3.7	7.5	5.1	5.6	6.1
GNP in constant (1958) dollars	47.8	54.0	12.2	15.5	15.5	12.4	10.1	8.3
Final purchases	45.8	47.4	9.8	13.8	17.7	7.9	6.8	6.7
Private	40.6	44.5	11.1	13.8	17.3	5.5	5.6	5.4
-----Per Cent Per Year-----								
Gross National Product	9.7	11.4	8.9	11.0	14.3	11.2	9.3	8.6
Final purchases	9.5	10.7	7.6	9.9	15.1	8.7	8.1	8.3
Private	9.5	11.5	9.1	11.1	16.1	9.0	8.1	8.1
Personal consumption expenditures	8.4	11.0	8.5	9.4	15.0	10.3	8.0	7.4
Durable goods	12.2	14.6	16.5	7.4	30.8	8.9	4.5	1.5
Nondurable goods	7.7	12.1	6.5	11.1	16.1	12.4	8.8	8.5
Services	7.8	8.5	7.4	8.4	7.9	8.7	8.7	8.6
Gross private domestic investment	18.7	17.5	14.0	22.3	9.5	24.2	14.3	8.5
Residential construction	26.8	4.8	12.1	19.1	15.4	-10.1	-13.9	-13.6
Business fixed investment	14.0	16.8	5.0	17.9	19.7	18.1	15.9	13.9
Gov't. purchases of goods & services	9.4	8.0	2.4	5.8	11.6	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	-1.8	-17.8	-10.1	9.8	-4.3	0.5	1.6
Other	13.7	12.0	8.1	7.9	16.9	10.0	12.2	15.3
State & local	10.2	12.2	11.5	13.3	11.9	12.5	10.9	10.6
GNP in constant (1958) dollars	6.4	6.8	6.3	8.0	7.9	6.0	4.8	3.9
Final purchases	6.2	6.0	5.0	7.0	8.8	3.8	3.2	3.2
Private	6.7	6.9	7.0	8.5	10.5 ^{1/}	3.2	3.3	3.0
GNP implicit deflator	3.0	4.3	2.4	2.8	6.0 ^{1/}	5.1	4.4	4.7
Private GNP fixed weight index ^{2/}	3.3	4.6	2.9	3.1	6.7	5.3	4.4	4.7
Personal income	8.6	9.9	7.7	14.8	7.9	10.3	8.4	7.7
Wage and salary disbursements	9.4	10.3	6.6	11.5	12.1	9.6	8.6	7.8
Disposable income	6.8	10.7	8.3	14.7	11.0	11.8	5.8	7.2
Corporate profits before tax	13.2	26.2	17.9	24.2	48.9	14.4	8.5	10.0
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	14.8	13.9	8.7	15.0	21.3	4.5	17.6	9.1
Expenditures	11.8	7.5	-8.0	34.9	-3.5	5.5	4.2	5.5
Nonfarm payroll employment	3.0	3.5	2.2	4.9	4.3	3.0	2.1	1.6
Manufacturing	2.2	4.1	0.0	8.0	4.9	2.9	2.0	0.0
Industrial production	7.1	8.5	6.7	11.8	8.2	8.5	6.3	4.4
Housing starts, private	14.1	-10.5	15.1	6.4	0.2	-37.3	-23.9	-29.3
Sales new autos	6.8	7.1	41.9	5.7	18.5	-4.3	-19.8	-17.4
Domestic models	7.4	7.6	44.9	-0.5	15.2	3.0	-13.5	-20.0
Foreign models	3.3	4.2	27.9	44.1	36.4	-41.8	-57.1	0.0

^{1/} Excluding Federal pay increase, 5.3 per cent annual rate.^{2/} Using expenditures in 1967 as weights.

For the second quarter as a whole, it now appears that public bond offerings may remain at about the reduced first-quarter pace. Since public bond issues usually have a seasonal peak in the second quarter, this represents an appreciable moderation in corporate long-term credit demands.

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

	1972	1973			
		QIV	QIe	April e/	May f/
Corporate securities					
Total	3,398	3,521	2,776	2,550	2,450
Public bonds	1,528	1,386	910	800	1,050
Privately placed bonds	780	1,049	542	650	500
Stock	1,087	1,086	1,324	800	900
State and local Gov't securities	1,970	1,952	1,937	1,525	1,800

e/ Estimated.

f/ Forecast.

Data on commitment activity and proposed takedowns of bonds by life insurance companies suggest that private placement volume will remain large in spite of the small volume reported by the SEC for the first two months of 1973. The staff estimates that monthly average takedowns for April and May will be around \$600 million, while the expected volume in June will be considerably greater, reflecting the usual upward movement in takedowns at the end of each quarter.

PROJECTION OF TREASURY CASH OUTLOOK
(In billions of dollars)

	Apr.	May	June	July
<u>Total net borrowing</u>	-2.1	-1.6	-2.6	2.0
Weekly and monthly bills	.2	-.2	-.4	1.6
Tax bills	-2.0	--	-2.5	--
Coupon issues	--	--	--	--
As yet unspecified new borrowing	--	--	--	--
Special foreign series	--	--	--	--
Agency transactions, debt repayment, etc.	-.3	-1.4	.3	.4
Plus: <u>Other net financial sources</u> ^{a/}	1.2	-.5	1.0	-1.3
Plus: <u>Budget surplus or deficit (-)</u>	2.2	-3.3	5.7	-4.5
Equals: <u>Change in cash balance</u>	1.3 ^{b/}	-5.4	4.1	-3.8
Memoranda: Level of cash balance, end of period	14.2 ^{b/}	8.8	12.9	9.1
Derivation of budget surplus or deficit:				
Budget receipts	25.4	18.3	27.5	17.5
Budget outlays	23.2	21.6	21.8	22.0
Maturing coupon issues held by public	--	4.3	--	--
Sales of financial assets	.3	1.1	.9	n.e.
Budget agency borrowing	-.6	--	--	.4
Net borrowing by government-sponsored agencies	2.1	1.8	.3	1.9

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

^{b/} Actual

n.e.--not estimated

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

	Fiscal 1973 e/		FY 1974 e/ Adm. Est. 5-2-73	Calendar Years		F.R. Staff Estimates				
	Adm. Est. 5-2-73	F.R. Board		1972 Actual	1973 F.R.B. e/	Calendar Quarters				
						1972 IV*	1973			
							I*	II	III	IV
Federal Budget										
Surplus/deficit	-19.8	-17.3	-5.7	-17.4	-10.2	-10.5	-9.5	4.6	-1.5	-4
Receipts	230.0	232.5	263.0	221.5	248.4	50.5	55.2	71.2	64.0	58.0
Outlays	249.8	249.8	268.7	239.0	258.6	60.9	64.7	66.6	64.5	62.8
Means of financing:										
Net borrowing from the public	n.a.	19.5	n.a.	15.2	5.7	12.3	8.4	-6.3	1.1	2.5
Decrease in cash operating balance	n.a.	-2.8	n.a.	0.2	2.3	-1.3	-1.8	--	1.4	2.7
Other 1/	n.a.	.7	n.a.	2.0	2.2	-0.5	2.9	1.7	-2.0	-4
Cash operating balance, end of period	n.a.	12.9	n.a.	11.1	8.8	11.1	12.9	12.9	11.5	8.8
Memo 2/ : Sales of financial assets 3/	5.5	5.4	4.0	3.1	n.e.	1.1	1.2	2.3	n.e.	n.e.
Budget agency borrowing 4/	1.4	.3	2.5	0.8	.2	0.3	--	-.6	.4	.4
Sponsored agency borrowing 5/	7.6	7.6	9.6	3.1	11.7	0.8	1.7	4.2	3.4	2.4
National Income Sector										
Surplus/deficit	n.a.	-18.1	n.a.	-18.1	-5.1	-24.3	-9.3 ^e	-10.1	-1.7	
Receipts	n.a.	239.1 ^{6/}	n.a.	228.6	260.3	238.4	251.1 ^e	253.9	265.1	271.1
Expenditures	259.9	257.2	275.5	246.8	265.4	262.7	260.4 ^p	264.0	266.8	270.5
High Employment surplus/deficit (NIA basis) 7/	n.a.	-3.5	n.a.	-0.9	-0.8	-12.1	-1.5	-4.3	-0.3	2.9

* 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

footnotes continued

- 2/ 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 \$412 billion due to spreading of wage base and refund effect over calendar year.
- 7/ Estimated by F.R. Board Staff.

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GROWTH RATES OF REAL GNP AND CHANGES IN GNP DEFLATORS, 1959-1973
(Percentage changes)

	Average		From previous year					
	1959-60 to 1970-71		1971		1972 (estimates)		1973 (forecasts)*	
	GNP	deflator	GNP	deflator	GNP	deflator	GNP	deflator
Germany	4.9	3.6	2.7	7.7	2.9	6.1	6	6-1/2
United Kingdom	2.9	4.2	1.7	8.9	3.5	6.7	6	6-1/4
France	5.8	4.4	5.1	5.0	5.6	5.8	6	6-1/4
Italy	5.5	4.4	1.0	7.0	3.2	5.8	5	8
Netherlands	5.3	4.8	4.5	7.5	4.0	9.5	4	8
Japan	11.1	4.8	6.4	4.6	9.2	4.9	11-1/4	6-1/2
Canada	4.9	3.0	5.5	3.3	5.5	4.9	7	5
United States	3.9	2.8	2.7	4.7	6.4	3.0	6-3/4	4-1/4
TOTAL	5.0	3.4	3.3	5.4	5.9	4.3	7	5-1/6

*N.B.: 1973 forecasts are strictly confidential.

Source: OECD Secretariat, April 12, 1973 and national forecasts.