

CONFIDENTIAL

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

August 15, 1973

By the Staff
Board of Governors
of the Federal Reserve System

the year because of increasing unit labor costs. Unemployment is expected to rise gradually from a 4.7 per cent rate late this year to 5.5 per cent in late 1974, as real growth slows further to an annual rate of about 1-1/4 per cent.

STAFF GNP PROJECTIONS

	Per cent change annual rate 1/							
	Changes in nominal GNP \$ billion		Real GNP		Gross private product fixed weighted price index		Unemployment rate	
	7/11/73	8/15/73	7/11/73	8/15/73	7/11/73	8/15/73	7/11/73	8/15/73
1971 ^{2/}	74.0	78.3	2.7	3.2	4.5	4.6	5.9	5.9
1972 ^{2/}	101.4	99.7	6.4	6.1	3.3	3.2	5.6	5.6
1973	130.2	131.2	6.5	6.0	5.0	5.7	4.8	4.8
1974	96.6	99.6	2.3	1.9	4.5	5.7	5.2	5.2
1973:I ^{2/}	43.0	43.3	8.0	8.7	7.4	7.0	5.0	5.0
II	33.0	28.5	4.7	2.6	7.1	7.5	4.9	4.9
III	25.1	30.2	4.4	3.6	3.6	6.4	4.7	4.7
IV	27.3	29.5	3.3	2.6	5.3	7.0	4.7	4.7
1974:I	25.2	25.2	1.5	1.6	5.4	5.5	4.9	4.9
II	21.3	21.3	1.5	1.4	4.9	5.0	5.1	5.1
III	18.5	18.5	.9	.8	4.6	4.6	5.3	5.3
IV	19.4	19.5	1.1	1.1	4.6	4.6	5.5	5.5
Change: 72-IV to								
73-IV	128.4	131.5	5.1	4.3	5.8	6.8	- .6	- .6
73-IV to								
74-IV	84.4	84.5	1.3	1.2	4.9	4.9	.8	.8

1/ Per cent changes for quarters are at annual rates compounded quarterly. (In previous Greenbook projections per cent changes for quarters were simple annual rates.)

2/ 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	I	II	Projected	
							III	IV
Gross National Product	1155.2	1286.4	1166.5	1199.2	1242.5	1271.0	1301.2	1330.7
Final purchases	1149.1	1278.0	1157.8	1191.0	1237.8	1265.8	1291.2	1317.2
Private	894.1	1000.4	903.1	930.3	969.2	990.8	1011.0	1030.5
Excluding net exports	898.7	998.6	906.9	933.8	969.2	989.1	1009.7	1026.5
Personal consumption expenditures	726.5	804.5	734.1	752.6	779.4	795.1	813.7	829.8
Durable goods	117.4	133.0	120.2	122.9	132.2	133.1	133.3	133.3
Nondurable goods	299.9	336.5	302.3	310.7	322.2	329.8	342.2	351.8
Services	309.2	335.0	311.6	319.0	325.0	332.2	338.2	344.7
Gross private domestic investment	178.3	202.5	181.5	189.4	194.5	199.2	206.0	210.2
Residential construction	54.0	57.3	54.5	56.9	59.0	59.5	57.0	53.7
Business fixed investment	118.2	136.8	118.3	124.3	130.9	134.4	139.0	143.0
Change in business inventories	6.0	8.4	8.7	8.2	4.6	5.3	10.0	13.5
Nonfarm	5.6	8.0	8.4	7.9	4.4	5.1	9.6	13.0
Net exports of goods and services ^{1/}	-4.6	1.8	-3.8	-3.5	0.0	1.7	1.3	4.0
Exports	73.5	97.0	74.0	79.7	89.7	95.1	98.6	104.5
Imports	78.1	95.2	77.7	83.2	89.7	93.4	97.3	100.5
Gov't. purchases of goods and services	255.0	277.6	254.7	260.7	268.6	275.0	280.2	286.7
Federal	104.4	106.8	102.3	102.7	105.5	106.5	107.2	108.1
Defense	74.4	74.1	71.9	72.4	74.3	74.5	74.0	73.5
Other	30.1	32.8	30.4	30.3	31.2	32.0	33.2	34.6
State & local	150.5	170.8	152.4	158.0	163.0	168.5	173.0	178.6
Gross national product in constant (1958) dollars	790.7	838.4	796.7	812.3	829.3	834.6	842.0	847.5
GNP implicit deflator (1958 = 100)	146.1	153.4	146.4	147.6	149.8	152.3	154.5	157.0
Personal income	939.2	1030.8	943.7	976.1	996.6	1019.1	1042.8	1064.8
Wage and salary disbursements	627.8	688.7	632.7	648.7	666.7	682.5	695.5	710.0
Disposable income	797.0	880.4	800.9	828.7	851.5	870.4	890.4	909.0
Personal saving	49.7	52.7	45.8	54.4	50.0	52.4	53.1	55.0
Saving rate (per cent)	6.2	5.9	5.7	6.6	5.9	6.0	6.0	6.1
Corporate profits before tax	98.0	129.3	98.4	106.1	119.6	129.9	131.0	136.5
Corp. cash flow, net of div. (domestic)	105.0	111.4	91.9	97.7	104.9	111.5	112.8	116.4
Federal government receipts and expenditures, (N.I.A. basis)								
Receipts	228.7	263.4	229.6	236.9	253.6	261.9	266.2	272.0
Expenditures	244.6	265.1	237.0	260.3	258.6	262.0	267.8	272.1
Surplus or deficit (-)	-15.9	-1.7	-7.4	-23.4	-5.0	-0.1	-1.6	-0.1
High employment surplus or deficit (-)	0.4	-1.0	7.3	-10.9	-0.9	0.5	-3.3	-0.3
State and local government surplus or deficit (-), (N.I.A. basis)	13.1	11.2	9.5	19.6	13.9	10.9	10.9	9.2
Total labor force (millions)	89.0	90.9	89.3	89.6	90.0	90.9	91.2	91.6
Armed forces "	2.5	2.3	2.4	2.4	2.4	2.3	2.3	2.3
Civilian labor force "	86.5	88.6	86.9	87.2	87.6	88.6	88.9	89.3
Unemployment rate (per cent)	5.6	4.8	5.6	5.3	5.0	4.9	4.7	4.7
Nonfarm payroll employment (millions)	72.8	75.4	73.0	73.8	74.6	75.3	75.7	76.1
Manufacturing	18.9	19.8	19.0	19.3	19.6	19.8	19.9	19.9
Industrial production (1967 = 100)	115.1	125.5	116.3	120.2	123.1	124.8	126.5	127.5
Capacity utilization, mfg. (per cent) ^{2/}	77.9	81.9	78.4	80.2	81.4	82.0	82.2	81.9
Major materials (per cent) ^{2/}	90.2	95.1	91.0	92.4	93.7	95.4	95.8	95.4
Housing starts, private (millions, A.R.)	2.38	2.11	2.37	2.40	2.40	2.22	2.00	1.80
Sales new autos (millions, A.R.)	10.94	11.50	11.52	11.69	12.23	11.50	11.50	10.75
Domestic models	9.32	9.67	9.91	9.90	10.27	9.64	9.75	9.00
Foreign models	1.61	1.83	1.61	1.79	1.96	1.86	1.75	1.75

^{1/} GNP exports and imports estimates for 1973-II have not been revised to reflect revised Balance of Payments estimates; these revised estimates and corresponding projections for 1973 are:

Net exports of goods and services	-4.6	2.6	-3.8	-3.5	0.0	2.8	2.4	5.1
Exports	73.5	98.6	74.0	79.7	89.7	97.2	100.7	106.6
Imports	78.1	96.0	77.7	83.2	89.7	94.4	98.3	101.5

^{2/} Capacity utilization rates have not been revised to reflect new revisions in industrial production index.

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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.)

	1974 Proj.	1974 Projected			
		I	II	III	IV
Gross National Product	1386.0	1355.9	1377.2	1395.7	1415.2
Final purchases	1376.8	1343.9	1367.2	1387.2	1408.7
Private	1072.3	1049.3	1066.2	1079.4	1094.4
Excluding net exports	1064.4	1042.9	1057.7	1071.3	1085.8
Personal consumption expenditures	869.2	846.8	863.0	877.3	889.6
Durable goods	133.2	133.3	133.3	133.3	133.0
Nondurable goods	373.8	361.8	371.0	378.3	383.9
Services	362.2	351.7	358.7	365.7	372.7
Gross private domestic investment	204.5	208.1	204.7	202.5	202.7
Residential construction	46.6	50.1	46.7	44.5	45.2
Business fixed investment	148.6	146.0	148.0	149.5	151.0
Change in business inventories	9.3	12.0	10.0	8.5	6.5
Nonfarm	9.1	11.8	9.8	8.3	6.3
Net exports of goods and services ^{1/}	7.9	6.4	8.5	8.1	8.6
Exports	112.9	109.2	113.0	113.8	115.5
Imports	105.0	102.8	104.5	105.7	106.9
Gov't, purchases of goods and services	304.4	294.6	301.0	307.8	314.3
Federal	112.9	110.9	112.1	113.7	114.7
Defense	75.4	74.5	74.9	75.7	76.3
Other	37.5	36.4	37.2	38.0	38.4
State & local	191.6	183.7	188.9	194.1	199.6
Gross national product in constant (1958) dollars	854.5	850.9	853.8	855.6	857.9
GNP implicit deflator (1958 = 100)	162.2	159.3	161.3	163.1	165.0
Personal income	1115.7	1087.7	1105.8	1126.3	1142.9
Wage and salary disbursement	745.4	726.0	738.8	752.0	764.6
Disposable income	952.3	928.4	943.7	961.5	975.5
Personal saving	57.7	56.8	55.5	58.6	59.9
Saving rate (per cent)	6.1	6.1	5.9	6.1	6.1
Corporate profits before tax	129.8	132.5	131.5	128.0	127.0
Corp. cash flow, net of div. (domestic)	115.4	115.1	115.6	114.9	116.1
Federal government receipts and expenditures, (N.I.A. basis)					
Receipts	280.9	277.5	280.2	281.7	284.1
Expenditures	288.7	280.4	285.0	292.3	297.2
Surplus or deficit (-)	-7.8	-2.9	-4.8	-10.6	-13.1
High employment surplus or deficit (-)	9.0	3.9	8.7	10.1	13.4
State and local government surplus or deficit (-), (N.I.A. basis)	6.0	8.1	6.8	5.1	3.8
Total labor force (millions)	92.6	92.0	92.4	92.8	93.2
Armed forces "	2.3	2.3	2.3	2.3	2.3
Civilian labor force "	90.3	89.7	90.1	90.5	90.9
Unemployment rate (per cent)	5.2	4.9	5.1	5.3	5.5
Nonfarm payroll employment (millions)	76.8	76.4	76.7	76.9	77.1
Manufacturing	19.8	19.9	19.8	19.7	19.6
Industrial production (1967 = 100)	128.5	128.1	128.5	128.7	128.9
Capacity utilization, mfg. (per cent) ^{2/}	80.3	81.3	80.7	79.9	79.1
Major materials ^{2/}	93.9	94.8	94.2	93.6	93.0
Housing starts, private (millions, A.R.)	1.61	1.70	1.55	1.55	1.65
Sales new autos (millions, A.R.)	9.91	10.15	10.00	10.00	9.50
Domestic models	8.37	8.50	8.50	8.50	8.00
Foreign models	1.54	1.65	1.50	1.50	1.50

^{1/} Exports and imports projections for 1974 on Balance of Payments basis corresponding to revised estimates for 1973-II and corresponding projections for last half of 1973 are:

Net exports of goods and services	9.0	7.5	9.6	9.2	9.7
Exports	115.0	111.3	115.1	115.9	117.6
Imports	106.0	103.8	105.5	106.7	107.9

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1972	1973 Proj.	1972		1973			
			III	IV	I	II p	Projection	
							III	IV
-----Billions Of Dollars-----								
Gross National Product	99.7	131.2	24.1	32.7	43.3	28.5	30.2	29.5
Inventory change	-0.1	2.4	3.2	-0.5	-3.6	0.7	4.7	3.5
Final purchases	99.7	128.9	20.9	33.2	46.8	28.0	25.4	26.0
Private	79.0	106.3	20.4	27.2	38.9	21.6	20.2	19.5
Excluding net exports	84.4	99.9	18.5	26.9	35.4	19.9	20.6	16.8
Net exports	-5.4	6.4	1.9	0.3	3.5	1.7	-0.4	2.7
Government	20.7	22.6	0.5	6.0	7.9	6.4	5.2	6.5
GNP in constant (1958) dollars	45.3	47.7	11.1	15.6	17.0	5.3	7.4	5.5
Final purchases	46.0	46.1	8.7	16.0	20.0	4.7	4.0	2.7
Private	41.4	43.5	10.9	14.3	19.1	4.2	2.9	1.4
-----Per Cent Per Year ^{1/} -----								
Gross National Product	9.4	11.4	8.7	11.7	15.2	9.5	9.8	9.4
Final purchases	9.5	11.2	7.6	12.0	16.7	9.4	8.3	8.3
Private	9.7	11.9	9.6	12.6	17.8	9.2	8.4	7.9
Personal consumption expenditures	8.9	10.7	8.5	10.5	15.0	8.3	9.7	8.2
Durable goods	13.3	13.3	18.9	9.3	33.9	2.8	0.6	0.0
Nondurable goods	7.6	12.2	6.0	11.6	15.6	9.8	15.9	11.7
Services	8.5	8.3	7.2	9.8	7.7	9.2	7.4	7.9
Gross private domestic investment	16.4	13.6	16.5	18.6	11.2	10.0	14.4	8.4
Residential construction	26.5	6.1	13.5	18.8	15.6	3.4	-15.8	-21.2
Business fixed investment	13.2	15.7	7.1	21.9	23.0	11.1	14.4	12.0
Gov't. purchases of goods & services	8.8	8.9	0.8	9.8	12.7	9.9	7.8	9.6
Federal	6.4	2.3	-15.5	1.6	11.4	3.8	2.7	3.4
Defense	3.9	-0.4	-22.4	2.8	10.9	1.1	-2.7	-2.7
Other	13.6	9.0	4.0	-1.3	12.4	10.7	15.9	18.0
State & local	10.5	13.5	14.0	15.5	13.3	14.2	11.1	13.6
GNP in constant (1958) dollars	6.1	6.0	5.8	8.1	8.7	2.6	3.6	2.6
Final purchases	6.2	5.9	4.5	8.4	10.3	2.3	1.9	1.3
Private	6.9	6.8	7.0	9.1	12.0	2.5	1.7	0.8
GNP implicit deflator	3.2	5.0	2.8	3.3	6.1	6.8	6.0	6.6
Private GNP fixed weight index ^{2/}	3.2	5.7	3.1	4.1	7.0	7.5	6.4	7.0
Personal income	8.8	9.8	7.8	14.5	8.7	9.3	9.6	8.7
Wage and salary disbursements	9.5	9.7	7.7	10.5	11.6	9.8	7.8	8.6
Disposable income	6.8	10.5	8.1	14.6	11.5	9.2	9.5	8.6
Corporate profits before tax	15.2	31.9	16.1	35.2	61.5	39.2	3.4	17.9
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	15.0	15.2	7.7	13.3	31.3	13.7	6.7	9.0
Expenditures	10.7	8.4	-11.6	45.5	-2.6	5.4	9.2	6.6
Nonfarm payroll employment	3.0	3.6	2.8	4.5	4.5	3.6	2.2	2.1
Manufacturing	2.2	4.6	2.6	7.1	5.4	4.7	2.2	0.0
Industrial production	7.9	9.0	9.2	13.8	10.1	5.5	5.7	3.1
Housing starts, private	14.1	-11.3	16.0	6.6	0.2	-27.3	-34.1	-34.4
Sales new autos	6.8	5.1	49.7	5.9	19.8	-21.7	-0.1	-23.6
Domestic models	7.4	3.8	53.1	-0.5	16.0	-22.4	4.6	-27.4
Foreign models	3.3	13.7	30.9	52.0	42.3	-18.1	-21.8	0.0

^{1/} Percentage rates of change are annual rates compounded quarterly.^{2/} Using expenditures in 1967 as weights.

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CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1974 Proj.	1974 Projection			
		I	II	III	IV
-----Billions Of Dollars-----					
Gross National Product	99.6	25.2	21.3	18.5	19.5
Inventory change	0.9	-1.5	-2.0	-1.5	-2.0
Final purchases	98.8	26.7	23.3	20.0	21.5
Private	71.9	18.8	16.9	13.2	15.0
Excluding net exports	65.8	16.4	14.8	13.6	14.5
Net exports	6.1	2.4	2.1	-0.4	0.5
Government	26.8	7.9	6.4	6.8	6.5
GNP in constant (1958) dollars	16.1	3.4	2.9	1.8	2.3
Final purchases	15.0	4.4	4.3	2.6	3.4
Private	10.5	3.8	2.8	1.1	1.9
-----Per Cent Per Year ^{1/} -----					
Gross National Product	7.7	7.8	6.4	5.5	5.7
Final purchases	7.7	8.4	7.1	6.0	6.3
Private	7.2	7.5	6.6	5.0	5.7
Personal consumption expenditures	8.0	8.4	7.9	6.8	5.7
Durable goods	0.2	0.0	0.0	0.0	-0.9
Nondurable goods	11.1	11.9	10.6	8.1	6.1
Services	8.1	8.4	8.2	8.0	7.9
Gross private domestic investment	1.0	-3.9	-6.4	-4.2	0.4
Residential construction	-18.7	-24.2	-24.5	-17.6	6.4
Business fixed investment	8.6	8.7	5.6	4.1	4.1
Gov't. purchases of goods & services	9.7	11.5	9.0	9.3	8.7
Federal	5.7	10.8	4.4	5.8	3.6
Defense	1.8	5.6	2.2	4.3	3.2
Other	14.3	22.5	9.1	8.9	4.3
State & local	12.2	11.9	11.8	11.5	11.8
GNP in constant (1958) dollars	1.9	1.6	1.4	0.8	1.1
Final purchases	1.8	2.1	2.0	1.3	1.6
Private	1.5	2.2 ^{2/}	1.6	0.6	1.1
GNP implicit deflator	5.7	6.1 ^{2/}	5.0	4.6	4.6
Private GNP fixed weight index ^{3/}	5.7	5.5	5.0	4.6	4.6
Personal income	8.2	8.9	6.8	7.6	6.0
Wage and salary disbursements	8.2	9.3	7.2	7.3	6.9
Disposable income	8.2	8.8	6.8	7.8	6.0
Corporate profits before tax	0.4	-11.2	-3.0	-10.2	-3.1
Federal government receipts and expenditures (N.I.A. basis)					
Receipts	6.6	8.3	3.9	2.2	3.5
Expenditures	8.9	12.8	6.7	10.6	6.9
Nonfarm payroll employment	1.9	1.6	1.6	1.0	1.0
Manufacturing	0.0	0.0	-2.0	-2.0	-2.0
Industrial production	2.5	1.9	1.4	0.6	0.6
Housing starts, private	-23.5	-20.4	-30.9	0.0	28.4
Sales new autos	-13.8	-20.5	-5.8	0.0	-18.5
Domestic models	-13.4	-20.4	0.0	0.0	-21.5
Foreign models	-15.8	-21.0	-31.7	0.0	0.0

^{1/} Percentage rates of change are annual rates compounded quarterly.^{2/} Excluding Federal pay increase, 5.2 per cent annual rate.^{3/} Using expenditures in 1967 as weights.

SELECTED LONG-TERM INTEREST RATES
(Per cent)

	New Aaa utility bonds ^{1/}	Recently offered Aaa utility bonds ^{1/}	Long-term State and local bonds ^{2/}	U.S. Government bonds (10-year constant maturity)
1970 - High	9.43 (6/19)	9.20 (6/26)	7.12 (5/29)	8.06 (5.29)
1971 - High	8.26 (7/30)	8.19 (1/2)	6.23 (6/24)	6.89 (7/20)
Low	7.02 (2/5)	7.14 (12/31)	4.97 (10/21)	5.87 (1/14)
1972 - High	7.60 (4/21)	7.46 (4/21)	5.54 (4/13)	6.58 (9/27)
Low	6.99 (11/24)	7.21 (12/1)	4.96 (12/7)	5.87 (1/14)
1973 - High	8.52 (8/10)	8.38 (8/10)	5.59 (8/3)	7.55 (8/10)
Low	7.29 (1/12)	7.28 (1/5)	5.00 (1/19)	6.42 (1/3)
July 6	--*	7.80	5.34	7.02
13	7.92	7.85	5.40	7.05
20	7.92	7.94	5.37	7.09
27	8.03	8.12	5.48	7.24
Aug. 3	8.31	8.28	5.59	7.48
10	8.52 p	8.38 p	5.58	7.55

^{1/} FRB series.

^{2/} Bond Buyer.

* No observations available for new issues rated A or higher that meet the criteria for inclusion in the series.

p/ Preliminary.

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

	1972	1st Half ^{e/}	July ^{e/}	Aug ^{f/}	Sept ^{f/}
Corporate securities - Total	3,398	2,710	2,050	2,200	2,400
Public bonds	1,528	1,020	850	900	900
Privately placed bonds	780	635	600	600	800
Stock	1,087	1,055	600	700	700
State and local gov't. Securities	1,970	1,920	1,950	1,700	1,800

^{e/} Estimated.

^{f/} Forecast.

PROJECTION OF TREASURY CASH OUTLOOK
(In billions of dollars)

	July	August	Sept.	Oct.
<u>Total net borrowing</u>	-0.3	0.0	-1.8	0.6
Weekly and monthly bills	-0.2	-0.1	--	--
Tax bills	--	2.0	-2.0	--
Coupon issues	--	2.5	--	--
As yet unspecified new borrowing	--	--	--	--
Special foreign series	-0.4	--	--	--
Agency transactions, debt repayment, etc.	0.3	-4.4	0.2	0.6
Plus: <u>Other net financial sources</u> ^{a/}	1.2	-1.7	.6	1.7
Plus: <u>Budget surplus or deficit (-)</u>	-6.3	-0.9	5.9	-6.2
Equals: <u>Change in cash balance</u>	-5.4 ^{b/}	-2.6	4.7	-3.9
Memoranda: Level of cash balance, end of period	7.2 ^{b/}	4.6	9.3	5.4
Derivation of budget surplus or deficit:				
Budget receipts	18.0	21.7	26.6	16.7
Budget outlays	24.3	22.6	20.7	22.9
Maturing coupon issues held by public	--	4.7	--	--
Sales of financial assets	0.3	0.1	0.6	0.1
Budget agency borrowing	*	0.3	--	0.5
Net borrowing by government-sponsored agencies	2.3	1.3	2.4	1.8

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

^{b/} Actual

*--less than \$50 million

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

F.R.B. Staff Estimates											
	Fiscal Year 1973*	Fiscal 1974 e/		Calendar Years		Calendar Quarters					
		Adm. Est. 6-1-73 1/	F.R. Board	1972 Actual	1973 FRB e/	1973				1974	
						I*	II*	III	IV	I	II
Federal Budget											
Surplus/deficit	-14.4	-2.7	1.1	-17.4	-10.5	-9.5	7.6	-1.3	-7.3	-5.9	15.6
Receipts	232.2	266.0	270.8	221.5	250.8	55.2	70.9	66.3	58.4	61.5	84.5
Outlays	246.6	268.7	269.7	239.0	261.4	64.7	63.4	67.6	65.7	67.4	68
Means of financing:											
Net borrowing from the public	19.3	5.5	-4.7	15.2	2.0	8.4	-6.5	-2.1	2.2	2.6	-7.4
Decrease in cash operating balance	-2.5	n.a.	0.7	0.2	6.1	-1.8	0.3	3.3	4.3	0.3	-7.2
Other 2/	-2.4	n.a.	2.9	2.0	2.4	2.9	-1.4	0.1	0.8	3.0	-1.0
Cash operating balance, end of period	12.6	n.a.	11.9	11.1	5.0	12.9	12.6	9.3	5.0	4.7	11.9
Memo 3/ : Sales of financial assets 4/	4.8 e/	n.a.	n.e.	3.1	4.7	1.2	1.6 e/	1.1	0.8	n.e.	n.e.
Budget agency borrowing 5/	0.4	n.a.	1.5	0.9	0.1	0.1	-0.6 e/	0.3	0.4	0.5	0.3
Sponsored agency borrowing 6/	8.9	n.a.	n.e.	3.5	17.0	2.0	5.2 e/	5.9	3.9	n.e.	n.e.
National Income Sector											
Surplus/deficit	-13.2 7/	-3.0	-5.6 7/	-15.9	-1.7	-5.0	-0.1 p/	-1.6	-0.1	-2.9	-4.8
Receipts	241.3 7/	273.3	270.7 7/	228.7	263.4	253.6	261.9 p/	266.2	272.0	277.5	280.2
Expenditures	254.5	276.3	276.3	244.6	265.1	258.6	262.0	267.8	272.1	280.4	285.
High Employment surplus/deficit (NIA basis) 8/	n.a.	n.a.	n.a.	0.4	-1.0	-0.9	0.5	-3.3	-0.3	3.9	8.7
*Actual	e--projected		n.e.--not estimated			n.a.--not available					

*Actual

e--projected

n.e.--not estimated

n.a.--not available

p.--preliminary

1/ The President's statement of July 26, 1973, issued with the release of budget results for fiscal year 1973, indicated that a balanced budget is expected for fiscal 1974, implying a further increase in receipts estimates to about \$268.7 billion.

footnotes continued

- 2/ Includes such items as deposit fund accounts and clearing accounts.
- 3/ 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.
- 4/ 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.
- 5/ 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.
- 6/ 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.
- 7/ Quarterly average exceeds fiscal year total by \$4.2 billion for fiscal 1973 and \$3.3 billion for fiscal 1974 due to spreading of wage base and refund effect over calendar year.
- 8/ Estimated by F.R. Board Staff.

CONFIDENTIAL

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

August 17, 1973

By the Staff
Board of Governors
of the Federal Reserve System

August 16, 1973

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.)

	1973-I		1973-II		
	Amount	Change from 72-IV	Prel. Change from 73-I	Rev. Amount	Change from 73-I
Gross National Product	1242.5	43.3	28.5	1272.0	29.5
Final purchases	1237.8	46.9	27.8	1267.5	29.6
Private	969.2	39.0	21.4	992.2	22.9
Excluding net exports	969.2	35.5	19.7	989.4	20.1
Personal consumption expenditures	779.4	26.8	15.7	795.6	16.2
Durable	132.2	9.3	0.9	132.8	0.6
Nondurable	322.2	11.5	7.6	330.3	8.1
Services	325.0	6.0	7.2	332.6	7.6
Gross private domestic investment	194.5	5.1	4.7	198.2	3.7
Residential construction	59.0	2.1	0.5	59.6	0.6
Business fixed investment	130.9	6.6	3.5	134.1	3.2
Change in business inventories	4.6	-3.6	0.7	4.5	-0.1
Nonfarm	4.4	-3.5	0.7	4.4	0.0
Net exports of goods and services	0.0	3.5	1.7	2.8	2.8
Exports	89.7	10.0	5.4	97.2	7.5
Imports	89.7	6.5	3.7	94.4	4.7
Gov't. purchases of goods and services	268.6	7.9	6.4	275.3	6.7
Federal	105.5	2.8	1.0	107.3	1.8
Defense	74.3	1.9	0.2	74.2	-0.1
Other	31.2	0.9	0.8	33.1	1.9
State & local	163.0	5.0	5.5	168.0	5.0
Gross national product in constant (1958) dollars	829.3	17.0	5.3	834.3	5.0
GNP implicit deflator (1958 = 100)	149.8	--	--	152.5	--
Personal income	996.6	20.5	22.5	1019.0	22.4
Wage and salary disbursements	666.7	18.0	15.8	682.6	15.9
Disposable income	851.5	22.8	18.9	869.7	18.2
Personal saving	50.0	-4.4	2.4	51.0	1.0
Saving rate (per cent)	5.9	--	--	5.9	--
Corporate profits before tax	119.6	13.5	--	130.1 ^{1/}	10.5
Corp. cash flow net of div. (domestic)	104.9	7.2	--	110.7 ^{1/}	5.8
Surplus or deficit (-), (N.I.A. basis)					
Federal government	-5.0	--	n.a	0.1	--
State and local government	13.9	--	n.a	11.6	--
---Per Cent Change at Annual Rates----					
Gross National Product	15.2	--	9.5	9.9	--
GNP in constant (1958) dollars	8.7	--	2.6	2.4	--
GNP implicit price deflator	6.1	--	6.8	7.3	--
Gross NATIONAL Product fixed weighted price index ^{2/}	7.8	--	7.2	7.6	--
Gross PRIVATE Product fixed weighted price index ^{2/}	7.0	--	7.5	7.9	--

^{1/} At compound rates.^{2/} Using expenditures in 1967 as weights.

SELECTED LONG-TERM INTEREST RATES
(Per cent)

	New Aaa utility bonds 1/	Recently offered Aaa utility bonds 1/	Long-term State and local bonds 2/	U.S. Government bonds (10-year constant maturity)
<u>1973</u>				
July 6	--*	7.80	5.34	7.02
13	7.92	7.85	5.40	7.05
20	7.92	7.94	5.37	7.09
27	8.03	8.12	5.48	7.24
Aug. 3	8.31	8.28	5.59	7.48
10	8.52	8.30 _r	5.58	5.54
17	8.30 _p	8.16	5.47	7.46 _p

1/ FRB series.

2/ Bond Buyer.

* No observations available for new issues rated A or higher that meet the criteria for inclusion in the series.

p/ Preliminary.

CORRECTIONS

Page I-33: Table on Wholesale Spot Prices should follow Page I-31.
Column 3 in that table should read July 10, 1973 to
August 13, 1973.

Page II-22: Paragraph 2, figure on line 5 should be 8.40 percent.