

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

September 12, 1973

By the Staff  
Board of Governors  
of the Federal Reserve System

## STAFF GNP PROJECTIONS

|                       | Per cent change annual rate          |         |          |         |                                                     |         |                   |         |
|-----------------------|--------------------------------------|---------|----------|---------|-----------------------------------------------------|---------|-------------------|---------|
|                       | Changes in nominal GNP<br>\$ billion |         | Real GNP |         | Gross private product<br>fixed weighted price index |         | Unemployment rate |         |
|                       | 8/15/73                              | 9/12/73 | 8/15/73  | 9/12/73 | 8/15/73                                             | 9/12/73 | 8/15/73           | 9/12/73 |
| 1971 <sup>1/</sup>    | 78.3                                 | 78.3    | 3.2      | 3.2     | 4.6                                                 | 4.6     | 5.9               | 5.9     |
| 1972 <sup>1/</sup>    | 99.7                                 | 99.7    | 6.1      | 6.1     | 3.2                                                 | 3.2     | 5.6               | 5.6     |
| 1973                  | 131.2                                | 133.6   | 6.0      | 6.1     | 5.7                                                 | 5.8     | 4.8               | 4.8     |
| 1974                  | 99.6                                 | 104.8   | 1.9      | 2.3     | 5.7                                                 | 5.9     | 5.2               | 5.2     |
| 1973:I <sup>1/</sup>  | 43.3                                 | 43.3    | 8.7      | 8.7     | 7.0                                                 | 7.0     | 5.0               | 5.0     |
| II <sup>1/</sup>      | 28.5                                 | 29.5    | 2.6      | 2.4     | 7.5                                                 | 7.9     | 4.9               | 4.9     |
| III                   | 30.2                                 | 32.6    | 3.6      | 4.0     | 6.4                                                 | 6.8     | 4.7               | 4.7     |
| IV                    | 29.5                                 | 31.5    | 2.6      | 3.0     | 7.0                                                 | 7.0     | 4.7               | 4.7     |
| 1974:I                | 25.2                                 | 26.0    | 1.6      | 2.2     | 5.5                                                 | 5.7     | 4.9               | 4.9     |
| II                    | 21.3                                 | 22.8    | 1.4      | 1.8     | 5.0                                                 | 5.0     | 5.1               | 5.1     |
| III                   | 18.5                                 | 18.4    | .8       | .8      | 4.6                                                 | 4.6     | 5.3               | 5.3     |
| IV                    | 19.5                                 | 19.8    | 1.1      | 1.1     | 4.6                                                 | 4.6     | 5.5               | 5.5     |
| Change:<br>72-IV to   |                                      |         |          |         |                                                     |         |                   |         |
| 73-IV                 | 131.5                                | 136.9   | 4.3      | 4.5     | 6.8                                                 | 7.2     | - .6              | - .6    |
| 73-IV to              |                                      |         |          |         |                                                     |         |                   |         |
| 74-IV                 | 84.5                                 | 87.3    | 1.2      | 1.5     | 4.9                                                 | 5.0     | .8                | .8      |
| <sup>1/</sup> 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<br>Proj. | 1972   |        | 1973   |        |           |        |
|----------------------------------------------------------------------|--------|---------------|--------|--------|--------|--------|-----------|--------|
|                                                                      |        |               | III    | IV     | I      | II     | Projected |        |
|                                                                      |        |               |        |        |        |        | III       | IV     |
| Gross National Product                                               | 1155.2 | 1288.8        | 1166.5 | 1199.2 | 1242.5 | 1272.0 | 1304.6    | 1336.1 |
| Final purchases                                                      | 1149.1 | 1282.2        | 1157.8 | 1191.0 | 1237.8 | 1267.5 | 1297.2    | 1326.1 |
| Private                                                              | 894.1  | 1004.3        | 903.1  | 930.3  | 969.2  | 992.2  | 1018.2    | 1037.7 |
| Excluding net exports                                                | 898.7  | 1001.7        | 906.9  | 933.8  | 969.2  | 989.4  | 1015.8    | 1032.6 |
| Personal consumption expenditures                                    | 726.5  | 806.4         | 734.1  | 752.6  | 779.4  | 795.6  | 817.0     | 833.5  |
| Durable goods                                                        | 117.4  | 132.8         | 120.2  | 122.9  | 132.2  | 132.8  | 133.0     | 133.0  |
| Nondurable goods                                                     | 299.9  | 338.1         | 302.3  | 310.7  | 322.2  | 330.3  | 345.0     | 355.0  |
| Services                                                             | 309.2  | 335.5         | 311.6  | 319.0  | 325.0  | 332.6  | 339.0     | 345.5  |
| Gross private domestic investment                                    | 178.3  | 202.0         | 181.5  | 189.4  | 194.5  | 198.2  | 206.2     | 209.1  |
| Residential construction                                             | 54.0   | 58.0          | 54.5   | 56.9   | 59.0   | 59.6   | 58.8      | 54.6   |
| Business fixed investment                                            | 118.2  | 137.4         | 118.3  | 124.3  | 130.9  | 134.1  | 140.0     | 144.5  |
| Change in business inventories                                       | 6.0    | 6.6           | 8.7    | 8.2    | 4.6    | 4.5    | 7.4       | 10.0   |
| Nonfarm                                                              | 5.6    | 6.3           | 8.4    | 7.9    | 4.4    | 4.4    | 7.0       | 9.5    |
| 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  |
| Gov't. purchases of goods and services                               | 255.0  | 277.8         | 254.7  | 260.7  | 268.6  | 275.3  | 279.0     | 288.4  |
| Federal                                                              | 104.4  | 107.4         | 102.3  | 102.7  | 105.5  | 107.3  | 106.5     | 110.3  |
| Defense                                                              | 74.4   | 73.8          | 71.9   | 72.4   | 74.3   | 74.2   | 72.2      | 74.4   |
| Other                                                                | 30.1   | 33.6          | 30.4   | 30.3   | 31.2   | 33.1   | 34.3      | 35.9   |
| State & local                                                        | 150.5  | 170.4         | 152.4  | 158.0  | 163.0  | 168.0  | 172.5     | 178.1  |
| Gross national product in<br>constant (1958) dollars                 | 790.7  | 838.7         | 796.7  | 812.3  | 829.3  | 834.3  | 842.5     | 848.8  |
| GNP implicit deflator (1958 = 100)                                   | 146.1  | 153.6         | 146.4  | 147.6  | 149.8  | 152.5  | 154.8     | 157.4  |
| Personal income                                                      | 939.2  | 1031.5        | 943.7  | 976.1  | 996.6  | 1019.0 | 1043.7    | 1066.5 |
| Wage and salary disbursements                                        | 627.8  | 689.8         | 632.7  | 648.7  | 666.7  | 682.6  | 698.0     | 712.7  |
| Disposable income                                                    | 797.0  | 880.7         | 800.9  | 828.7  | 851.5  | 869.7  | 891.2     | 910.4  |
| Personal saving                                                      | 49.7   | 51.0          | 45.8   | 54.4   | 50.0   | 51.0   | 50.5      | 52.6   |
| Saving rate (per cent)                                               | 6.2    | 5.8           | 5.7    | 6.6    | 5.9    | 5.9    | 5.7       | 5.8    |
| Corporate profits before tax                                         | 98.0   | 130.7         | 98.4   | 106.1  | 119.6  | 130.1  | 133.5     | 139.5  |
| Corp. cash flow, net of div. (domestic)                              | 105.0  | 111.7         | 91.9   | 97.7   | 104.9  | 110.7  | 113.6     | 117.7  |
| Federal government receipts and<br>expenditures, (N.I.A. basis)      |        |               |        |        |        |        |           |        |
| Receipts                                                             | 228.7  | 264.2         | 229.6  | 236.9  | 253.6  | 262.5  | 267.3     | 273.5  |
| Expenditures                                                         | 244.6  | 265.7         | 237.0  | 260.3  | 258.6  | 262.4  | 267.3     | 274.5  |
| Surplus or deficit (-)                                               | -15.9  | -1.5          | -7.4   | -23.4  | -5.0   | 0.1    | 0.0       | -1.0   |
| High employment surplus or deficit (-)                               | 0.4    | -1.8          | 7.3    | -10.9  | -0.9   | 0.1    | -3.2      | -3.1   |
| State and local government surplus or<br>deficit (-), (N.I.A. basis) | 13.1   | 11.7          | 9.5    | 19.6   | 13.9   | 11.6   | 11.5      | 9.9    |
| 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   | 19.8      | 19.9   |
| Industrial production (1967 = 100)                                   | 115.1  | 125.6         | 116.3  | 120.2  | 123.1  | 124.8  | 126.9     | 127.8  |
| Capacity utilization, mfg. (per cent)                                | 78.6   | 83.2          | 79.4   | 81.5   | 82.8   | 83.3   | 83.4      | 83.2   |
| Major materials (per cent)                                           | 90.2   | 94.7          | 91.0   | 92.4   | 93.8   | 94.4   | 95.1      | 95.6   |
| Housing starts, private (millions, A.R.)                             | 2.38   | 2.12          | 2.37   | 2.40   | 2.40   | 2.21   | 2.06      | 1.80   |
| Sales new autos (millions, A.R.)                                     | 10.94  | 11.55         | 11.52  | 11.69  | 12.23  | 11.73  | 11.50     | 10.75  |
| Domestic models                                                      | 9.32   | 9.72          | 9.91   | 9.90   | 10.27  | 9.87   | 9.75      | 9.00   |
| Foreign models                                                       | 1.61   | 1.83          | 1.61   | 1.79   | 1.96   | 1.86   | 1.75      | 1.75   |

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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<br>Proj. | 1974<br>Projected |        |        |        |
|----------------------------------------------------------------------|---------------|-------------------|--------|--------|--------|
|                                                                      |               | I                 | II     | III    | IV     |
| Gross National Product                                               | 1393.6        | 1362.3            | 1385.2 | 1403.6 | 1423.4 |
| Final purchases                                                      | 1385.5        | 1352.3            | 1376.4 | 1396.0 | 1417.2 |
| Private                                                              | 1080.2        | 1056.5            | 1074.4 | 1087.6 | 1102.3 |
| Excluding net exports                                                | 1071.2        | 1049.0            | 1064.8 | 1078.4 | 1092.6 |
| Personal consumption expenditures                                    | 873.5         | 850.5             | 867.5  | 882.0  | 894.0  |
| Durable goods                                                        | 133.0         | 133.0             | 133.2  | 133.2  | 132.7  |
| Nondurable goods                                                     | 377.3         | 365.0             | 374.6  | 382.1  | 387.6  |
| Services                                                             | 363.2         | 352.5             | 359.7  | 366.7  | 373.7  |
| Gross private domestic investment                                    | 205.9         | 208.5             | 206.1  | 204.0  | 204.8  |
| Residential construction                                             | 46.7          | 50.5              | 46.8   | 44.4   | 45.1   |
| Business fixed investment                                            | 151.0         | 148.0             | 150.5  | 152.0  | 153.5  |
| Change in business inventories                                       | 8.2           | 10.0              | 8.8    | 7.6    | 6.2    |
| Nonfarm                                                              | 8.3           | 10.3              | 9.2    | 7.6    | 5.9    |
| 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         | 130.8             | 105.5  | 106.7  | 107.9  |
| Gov't. purchases of goods and services                               | 305.3         | 295.8             | 302.0  | 308.4  | 314.9  |
| Federal                                                              | 114.2         | 112.6             | 113.6  | 114.8  | 115.8  |
| Defense                                                              | 75.6          | 75.1              | 75.3   | 75.7   | 76.3   |
| Other                                                                | 38.6          | 37.5              | 38.3   | 39.1   | 39.5   |
| State & local                                                        | 191.1         | 183.2             | 188.4  | 193.6  | 199.1  |
| Gross national product in<br>constant (1958) dollars                 | 857.7         | 853.4             | 857.2  | 858.9  | 861.3  |
| GNP implicit deflator (1958 = 100)                                   | 162.5         | 159.6             | 161.6  | 163.4  | 165.3  |
| Personal income                                                      | 1117.9        | 1088.9            | 1108.2 | 1128.3 | 1146.3 |
| Wage and salary disbursement                                         | 748.5         | 727.9             | 741.9  | 755.0  | 769.0  |
| Disposable income                                                    | 954.2         | 929.4             | 945.7  | 963.2  | 978.4  |
| Personal saving                                                      | 55.2          | 54.0              | 52.9   | 55.5   | 58.3   |
| Saving rate (per cent)                                               | 5.8           | 5.8               | 5.6    | 5.8    | 6.0    |
| Corporate profits before tax                                         | 134.4         | 137.0             | 136.5  | 133.0  | 131.0  |
| Corp. cash flow, net of div. (domestic)                              | 117.7         | 117.4             | 118.1  | 117.4  | 117.9  |
| Federal government receipts and<br>expenditures, (N.I.A. basis)      |               |                   |        |        |        |
| Receipts                                                             | 283.0         | 279.4             | 282.5  | 283.9  | 286.3  |
| Expenditures                                                         | 290.3         | 282.3             | 286.7  | 293.6  | 298.5  |
| Surplus or deficit (-)                                               | -7.3          | -2.9              | -4.2   | -9.7   | -12.2  |
| High employment surplus or deficit (-)                               | 7.0           | 1.6               | 6.5    | 8.4    | 11.6   |
| State and local government surplus or<br>deficit (-), (N.I.A. basis) | 6.8           | 8.9               | 7.7    | 6.0    | 4.6    |
| 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)                                | 76.7          | 75.6              | 76.8   | 77.0   | 77.2   |
| Manufacturing                                                        | 19.8          | 19.9              | 19.8   | 19.7   | 19.6   |
| Industrial production (1967 = 100)                                   | 129.1         | 128.5             | 129.1  | 129.3  | 129.5  |
| Capacity utilization, mfg. (per cent)                                | 81.8          | 82.8              | 82.2   | 81.4   | 80.6   |
| Major materials                                                      | 94.8          | 95.3              | 95.2   | 94.6   | 94.2   |
| 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   |

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

|                                                             | 1972 | 1973<br>Proj. | 1972  |      | 1973 |       |            |                   |
|-------------------------------------------------------------|------|---------------|-------|------|------|-------|------------|-------------------|
|                                                             |      |               | III   | IV   | I    | II    | Projection |                   |
|                                                             |      |               |       |      |      |       | III        | IV                |
| -----Billions of Dollars-----                               |      |               |       |      |      |       |            |                   |
| Gross National Product                                      | 99.7 | 133.6         | 24.1  | 32.7 | 43.3 | 29.5  | 32.6       | 31.5              |
| Inventory change                                            | -0.1 | 0.6           | 3.2   | -0.5 | -3.6 | -0.1  | 2.9        | 2.6               |
| Final purchases                                             | 99.7 | 133.1         | 20.9  | 33.2 | 46.8 | 29.7  | 29.7       | 28.9              |
| Private                                                     | 79.0 | 110.2         | 20.4  | 27.2 | 38.9 | 23.0  | 26.0       | 19.5              |
| Net exports                                                 | -5.4 | 7.2           | 1.9   | 0.3  | 3.5  | 2.8   | -0.4       | 2.7               |
| Excluding net exports                                       | 84.4 | 103.0         | 18.5  | 26.9 | 35.4 | 20.2  | 26.4       | 16.8              |
| Personal consumption expenditures                           | 59.3 | 79.9          | 14.9  | 18.5 | 26.8 | 16.2  | 21.4       | 16.5              |
| Durable goods                                               | 13.8 | 15.4          | 5.1   | 2.7  | 9.3  | 0.6   | 0.2        | 0.0               |
| Nondurable goods                                            | 21.2 | 38.2          | 4.4   | 8.4  | 11.5 | 8.1   | 14.7       | 10.0              |
| Services                                                    | 24.3 | 26.3          | 5.4   | 7.4  | 6.0  | 7.6   | 6.4        | 6.5               |
| Residential structures                                      | 11.3 | 4.0           | 1.7   | 2.4  | 2.1  | 0.6   | -0.8       | -4.2              |
| Nonresidential fixed investment                             | 13.8 | 19.2          | 2.0   | 6.0  | 6.6  | 3.2   | 5.9        | 4.5               |
| Government                                                  | 20.7 | 22.8          | 0.5   | 6.0  | 7.9  | 6.7   | 3.7        | 9.4               |
| Federal                                                     | 6.3  | 3.0           | -4.4  | 0.4  | 2.8  | 1.8   | -0.8       | 3.8               |
| State and local                                             | 14.3 | 19.9          | 4.9   | 5.6  | 5.0  | 5.0   | 4.5        | 5.6               |
| GNP in constant (1958) dollars                              | 45.3 | 48.0          | 11.1  | 15.6 | 17.0 | 5.0   | 8.2        | 6.3               |
| Final purchases                                             | 46.0 | 47.7          | 8.7   | 16.0 | 20.0 | 5.0   | 6.1        | 4.2               |
| Private                                                     | 41.4 | 45.0          | 10.9  | 14.3 | 19.1 | 4.2   | 5.8        | 1.8               |
| -----Per Cent Per Year <sup>1/</sup> -----                  |      |               |       |      |      |       |            |                   |
| Gross National Product                                      | 9.4  | 11.6          | 8.7   | 11.7 | 15.2 | 9.9   | 10.7       | 10.0              |
| Final purchases                                             | 9.5  | 11.6          | 7.6   | 12.0 | 16.7 | 9.9   | 9.7        | 9.2               |
| Private                                                     | 9.7  | 12.3          | 9.6   | 12.6 | 17.8 | 9.8   | 10.9       | 7.9               |
| Personal consumption expenditures                           | 8.9  | 11.0          | 8.5   | 10.5 | 15.0 | 8.6   | 11.2       | 8.3               |
| Durable goods                                               | 13.3 | 13.1          | 18.9  | 9.3  | 33.9 | 1.8   | 0.6        | 0.0               |
| Nondurable goods                                            | 7.6  | 12.7          | 6.0   | 11.6 | 15.6 | 10.4  | 19.0       | 12.1              |
| Services                                                    | 8.5  | 8.5           | 7.2   | 9.8  | 7.7  | 9.7   | 7.9        | 7.9               |
| Gross private domestic investment                           | 16.4 | 13.3          | 16.5  | 18.6 | 11.2 | 7.8   | 17.1       | 5.7               |
| Residential structures                                      | 26.5 | 7.4           | 13.5  | 18.8 | 15.6 | 4.1   | -5.3       | -25.7             |
| Business fixed investment                                   | 13.2 | 16.2          | 7.1   | 21.9 | 23.0 | 10.1  | 18.8       | 13.5              |
| Gov't. purchases of goods & services                        | 8.8  | 8.9           | 0.8   | 9.8  | 12.7 | 10.4  | 5.5        | 14.2              |
| Federal                                                     | 6.4  | 2.9           | -15.5 | 1.6  | 11.4 | 7.0   | -2.9       | 15.1              |
| Defense                                                     | 3.9  | -0.8          | -22.4 | 2.8  | 10.9 | -0.5  | -10.4      | 12.8              |
| Other                                                       | 13.6 | 11.6          | 4.0   | -1.3 | 12.4 | 26.7  | 15.3       | 20.0              |
| State & local                                               | 10.5 | 13.2          | 14.0  | 15.5 | 13.3 | 12.8  | 11.2       | 13.6              |
| GNP in constant (1958) dollars                              | 6.1  | 6.1           | 5.8   | 8.1  | 8.7  | 2.4   | 4.0        | 3.0               |
| Final purchases                                             | 6.2  | 6.1           | 4.5   | 8.4  | 10.3 | 2.4   | 3.0        | 2.0               |
| Private                                                     | 6.9  | 7.0           | 7.0   | 9.1  | 12.0 | 2.5   | 3.5        | 1.0               |
| GNP implicit deflator                                       | 3.2  | 5.2           | 2.8   | 3.3  | 6.1  | 7.3   | 6.4        | 6.8 <sup>2/</sup> |
| Private GNP fixed weighted index <sup>3/</sup>              | 3.2  | 5.8           | 3.1   | 4.1  | 7.0  | 7.9   | 6.8        | 7.0               |
| Personal income                                             | 8.8  | 9.8           | 7.8   | 14.5 | 8.7  | 9.3   | 10.1       | 9.0               |
| Wage and salary disbursements                               | 9.5  | 9.9           | 7.7   | 10.5 | 11.6 | 9.9   | 9.3        | 8.7               |
| Disposable income                                           | 6.8  | 10.5          | 8.1   | 14.6 | 11.5 | 8.8   | 10.3       | 8.9               |
| Corporate profits before tax                                | 15.2 | 33.4          | 16.1  | 35.2 | 61.5 | 40.0  | 10.9       | 19.2              |
| Federal government receipts and expenditures (N.I.A. basis) |      |               |       |      |      |       |            |                   |
| Receipts                                                    | 15.0 | 15.5          | 7.7   | 13.3 | 31.3 | 14.8  | 7.5        | 9.6               |
| Expenditures                                                | 10.7 | 8.6           | -11.6 | 45.5 | -2.6 | 6.0   | 7.7        | 11.2              |
| Nonfarm payroll employment                                  | 3.0  | 3.6           | 2.8   | 4.5  | 4.5  | 3.8   | 2.1        | 2.1               |
| Manufacturing                                               | 2.2  | 4.6           | 2.6   | 7.1  | 5.4  | 4.1   | 0.0        | 2.0               |
| Industrial production                                       | 7.9  | 9.1           | 9.2   | 13.8 | 10.1 | 5.8   | 6.7        | 2.8               |
| Housing starts, private                                     | 14.1 | -10.9         | 16.0  | 6.6  | 0.2  | -28.6 | -24.5      | -41.7             |
| Sales new autos                                             | 6.8  | 5.6           | 49.7  | 5.9  | 19.8 | -15.4 | -7.6       | -23.6             |
| Domestic models                                             | 7.4  | 4.3           | 53.1  | -0.5 | 16.0 | -14.9 | -4.7       | -27.4             |
| Foreign models                                              | 3.3  | 13.9          | 30.9  | 52.0 | 42.3 | -18.1 | -21.8      | 0.0               |

<sup>1/</sup> Percentage rates of change are annual rates compounded quarterly.<sup>2/</sup> Excluding Federal pay increase, 6.6 per cent per year.<sup>3/</sup> Using expenditures in 1967 as weights.

September 12, 1973

CHANGES IN GROSS NATIONAL PRODUCT  
AND RELATED ITEMS

|                                                             | 1974<br>Proj. | 1974<br>Projection            |       |       |       |
|-------------------------------------------------------------|---------------|-------------------------------|-------|-------|-------|
|                                                             |               | I                             | II    | III   | IV    |
|                                                             |               | -----Billions of Dollars----- |       |       |       |
| Gross National Product                                      | 104.8         | 26.2                          | 22.9  | 18.4  | 19.8  |
| Inventory change                                            | 1.6           | 0.0                           | -1.2  | -1.2  | -1.4  |
| Final purchases                                             | 103.3         | 26.2                          | 24.1  | 19.6  | 21.2  |
| Private                                                     | 75.9          | 18.8                          | 17.9  | 13.2  | 14.7  |
| Net exports                                                 | 6.4           | 2.4                           | 2.1   | -0.4  | 0.5   |
| Excluding net exports                                       | 69.5          | 16.4                          | 15.8  | 13.6  | 14.2  |
| Personal consumption expenditures                           | 67.1          | 17.0                          | 17.0  | 14.5  | 12.0  |
| Durable goods                                               | 0.2           | 0.0                           | 0.2   | 0.0   | -0.5  |
| Nondurable goods                                            | 39.2          | 10.0                          | 9.6   | 7.5   | 5.5   |
| Services                                                    | 27.7          | 7.0                           | 7.2   | 7.0   | 7.0   |
| Residential structures                                      | -11.3         | -4.1                          | -3.7  | -2.4  | 0.7   |
| Nonresidential fixed investment                             | 13.6          | 3.5                           | 2.5   | 1.5   | 1.5   |
| Government                                                  | 27.5          | 7.4                           | 6.2   | 6.4   | 6.5   |
| Federal                                                     | 6.8           | 2.3                           | 1.0   | 1.2   | 1.0   |
| State and local                                             | 20.7          | 5.1                           | 5.2   | 5.2   | 5.5   |
| GNP in constant (1958) dollars                              | 19.0          | 4.6                           | 3.8   | 1.7   | 2.4   |
| Final purchases                                             | 17.4          | 4.6                           | 4.6   | 2.3   | 3.0   |
| Private                                                     | 11.9          | 3.4                           | 3.2   | 0.9   | 1.6   |
| -----Per Cent Per Year <sup>1/</sup> -----                  |               |                               |       |       |       |
| Gross National Product                                      | 8.1           | 8.1                           | 6.9   | 5.4   | 5.8   |
| Final purchases                                             | 8.1           | 8.1                           | 7.3   | 5.8   | 6.2   |
| Private                                                     | 7.6           | 7.4                           | 7.0   | 5.0   | 5.5   |
| Personal consumption expenditures                           | 8.3           | 8.4                           | 8.2   | 6.9   | 5.6   |
| Durable goods                                               | 0.2           | 0.0                           | 0.6   | 0.0   | -1.5  |
| Nondurable goods                                            | -0.2          | 11.8                          | 10.9  | 8.3   | 5.9   |
| Services                                                    | 8.3           | 8.4                           | 8.4   | 8.0   | 7.9   |
| Gross private domestic investment                           | 1.9           | -1.1                          | -4.5  | -4.0  | 1.6   |
| Residential structures                                      | 19.5          | -26.8                         | -26.2 | -19.0 | 6.5   |
| Nonresidential fixed investment                             | 9.9           | 10.0                          | 6.9   | 4.0   | 4.0   |
| Gov't. purchases of goods & services                        | 9.9           | 10.7                          | 8.7   | 8.8   | 8.7   |
| Federal                                                     | 6.3           | 8.6                           | 3.6   | 4.3   | 3.5   |
| Defense                                                     | 2.4           | 3.8                           | 1.1   | 2.1   | 3.2   |
| Other                                                       | 14.9          | 19.1                          | 8.8   | 8.6   | 4.2   |
| State and local                                             | 12.1          | 12.0                          | 11.8  | 11.5  | 11.9  |
| GNP in constant (1958) dollars                              | 2.3           | 2.2                           | 1.8   | 0.8   | 1.1   |
| Final purchases                                             | 2.1           | 2.2                           | 2.2   | 1.1   | 1.4   |
| Private                                                     | 1.7           | 2.0 <sup>2/</sup>             | 1.9   | 0.5   | 0.9   |
| GNP implicit deflator                                       | 5.8           | 5.7 <sup>2/</sup>             | 5.0   | 4.6   | 4.6   |
| Private GNP fixed weighted index <sup>3/</sup>              | 5.9           | 5.7                           | 5.0   | 4.6   | 4.6   |
| Personal income                                             | 8.4           | 8.7                           | 7.3   | 7.5   | 6.5   |
| Wage and salary disbursements                               | 8.5           | 8.8                           | 7.9   | 7.3   | 7.6   |
| Disposable income                                           | 8.3           | 8.6                           | 7.2   | 7.6   | 6.5   |
| Corporate profits before tax                                | 2.8           | -7.0                          | -1.5  | -9.9  | -5.9  |
| Federal government receipts and expenditures (N.I.A. basis) |               |                               |       |       |       |
| Receipts                                                    | 7.1           | 8.9                           | 4.5   | 2.0   | 3.4   |
| Expenditures                                                | 9.3           | 11.9                          | 6.4   | 10.0  | 6.8   |
| Nonfarm payroll employment                                  | 1.9           | 2.1                           | 1.6   | 1.0   | 1.0   |
| Manufacturing                                               | 0.0           | 0.0                           | -2.0  | -2.0  | -2.0  |
| Industrial production                                       | 2.8           | 2.4                           | 1.8   | 0.6   | 0.6   |
| Housing starts, private                                     | -24.1         | -20.4                         | -30.9 | 0.0   | 28.4  |
| Sales new autos                                             | -14.2         | -20.5                         | -5.8  | 0.0   | -18.5 |
| Domestic models                                             | 13.9          | -20.4                         | 0.0   | 0.0   | -21.5 |
| Foreign models                                              | 15.8          | -21.0                         | -31.7 | 0.0   | 0.0   |

<sup>1/</sup> Percentage rates of change are annual rates compounded quarterly.<sup>2/</sup> Excluding Federal pay increase, 5.4 per cent annual rate.<sup>3/</sup> Using expenditures in 1967 as weights.

scheduled utility issues due to declining stock prices. Stock prices fell throughout most of August, reached new lows for the year and recovered slightly at the end of the month. Trading volume was moderate. Many of the postponed offerings have been rescheduled for September and October, and account for the rise in projected stock issues for these months. While poor market conditions could cause a significant volume of further postponements, the utilities seem to be running out of financial flexibility and will find it increasingly difficult to delay scheduled offerings.

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

|                                       | 1973     |         |         |          |         |
|---------------------------------------|----------|---------|---------|----------|---------|
|                                       | 1st half | QIII e/ | Aug. e/ | Sept. f/ | Oct. f/ |
| Corporate securities - Total          | 2,772    | 2,010   | 1,680   | 2,300    | 3,000   |
| Public bonds                          | 1,039    | 793     | 730     | 800      | 1,200   |
| Privately placed bonds                | 690      | 667     | 600     | 800      | 700     |
| Stock                                 | 1,041    | 550     | 350     | 700      | 1,100   |
| State and local government securities | 1,955    | 1,733   | 1,450   | 1,800    | 1,800   |

e/ Estimated.  
f/ Forecast.

The volume of tax exempt bond offerings in August amounted to about \$1.5 billion, a somewhat larger than seasonal decline from July. In both September and October volume is projected at \$1.8 billion, about in line with earlier months this year.

PROJECTION OF TREASURY CASH OUTLOOK  
(In billions of dollars)

|                                                        | Aug.               | Sept. | Oct.              | Nov. |
|--------------------------------------------------------|--------------------|-------|-------------------|------|
| <u>Total net borrowing</u>                             | -0.6               | 0.0   | 1.9               | 2.2  |
| Weekly and monthly bills                               | -0.1               | --    | 1.8               | --   |
| Tax bills                                              | 2.0                | -2.0  | --                | 2.5  |
| Coupon issues                                          | 2.5                | 2.0   | --                | --   |
| As yet unspecified new borrowing                       | --                 | --    | --                | --   |
| Special foreign series                                 | -0.2               | --    | --                | --   |
| Agency transactions, debt repayment, etc.              | -4.8               | --    | 0.1               | -0.3 |
| Plus: <u>Other net financial sources</u> <sup>a/</sup> | -1.5               | 0.8   | 1.7 <sup>b/</sup> | -0.4 |
| Plus: <u>Budget surplus or deficit (-)</u>             | -2.0               | 5.4   | -6.5              | -2.2 |
| Equals: <u>Change in cash balance</u>                  | -4.1 <sup>c/</sup> | 6.2   | -2.9              | -0.4 |
| Memoranda: Level of cash balance, end of period        | 3.1 <sup>c/</sup>  | 9.3   | 6.4               | 6.0  |
| Derivation of budget surplus or deficit:               |                    |       |                   |      |
| Budget receipts                                        | 21.0               | 27.0  | 17.0              | 19.6 |
| Budget outlays                                         | 23.0               | 21.6  | 23.5              | 21.8 |
| Maturing coupon issues held by public                  | 4.7 <sup>d/</sup>  | --    | --                | 3.7  |
| Sales of financial assets                              | 0.1                | 0.1   | 0.6               | 0.1  |
| Budget agency borrowing                                | 0.3                | --    | 0.1               | 0.3  |
| Net borrowing by government-sponsored agencies         | 1.3                | 2.2   | 1.9               | 1.5  |

<sup>a/</sup> Checks issued less checks paid and other accrual items.

<sup>b/</sup> Includes \$1.2 billion in receipts which would result from the monetization of gold.

<sup>c/</sup> Actual.

<sup>d/</sup> The \$4.7 billion of debt which was paid off on August 15 was offset by sales of \$0.5 billion in 20-year bonds, \$2.0 billion in 4-year notes, and \$2.0 billion of tax anticipation bills maturing in September 1973.



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|                                                              |                 |          |                |           |                |       | F.R.B. Staff Estimates |       |       |       |       |  |
|--------------------------------------------------------------|-----------------|----------|----------------|-----------|----------------|-------|------------------------|-------|-------|-------|-------|--|
| Fiscal                                                       |                 |          | Fiscal 1974 e/ |           | Calendar Years |       | Calendar Quarters      |       |       |       |       |  |
| Year                                                         | Adm. Est.       | F.R.     | 1972           | 1973      |                |       |                        |       |       |       |       |  |
| 1973*                                                        | 6-1-73          | 1/ Board | Actual         | F.R.B. e/ | I*             | II*   | III                    | IV    | 1974  |       |       |  |
| Federal Budget                                               |                 |          |                |           |                |       |                        |       |       |       |       |  |
| Surplus/deficit                                              | -14.4           | -2.7     | 1.2            | -17.4     | -10.0          | -9.5  | 7.6                    | -1.1  | -7.0  | -6.4  | 15.6  |  |
| Receipts                                                     | 232.2           | 266.0    | 270.9          | 221.5     | 251.9          | 55.2  | 70.9                   | 66.1  | 59.7  | 61.5  | 83.5  |  |
| Outlays                                                      | 246.6           | 268.7    | 269.7          | 239.0     | 262.0          | 64.7  | 63.4                   | 67.2  | 66.7  | 67.9  | 67.9  |  |
| Means of financing:                                          |                 |          |                |           |                |       |                        |       |       |       |       |  |
| Net borrowing from the public                                | 19.3            | 5.5      | -6.1           | 15.2      | 4.7            | 8.4   | -6.5                   | -1.3  | 4.1   | 1.3   | -10.2 |  |
| Decrease in cash operating balance                           | -2.5            | n.a.     | 2.6            | 0.2       | 3.9            | -1.8  | 0.3                    | 3.3   | 2.1   | 1.6   | -4.4  |  |
| Other <u>2/</u>                                              | -2.4            | n.a.     | 2.4            | 2.0       | 1.4            | 2.9   | -1.4                   | -0.9  | 0.8   | 3.5   | -1.0  |  |
| Cash operating balance, end of period                        | 12.6            | n.a.     | 10.0           | 11.1      | 7.2            | 12.9  | 12.6                   | 9.3   | 7.2   | 5.6   | 10.0  |  |
| Memo <u>3/</u> : Sales of financial assets <u>4/</u>         | 4.8             | n.a.     | 4.1            | 3.1       | 4.7            | 1.2   | 1.6                    | 0.5   | 1.4   | 1.1   | 1.1   |  |
| Budget agency borrowing <u>5/</u>                            | 0.4             | n.a.     | 1.4            | 0.9       | 0.1            | 0.1   | -0.6                   | 0.3   | 0.3   | 0.5   | 0.3   |  |
| Sponsored agency borrowing <u>6/</u>                         | 8.7             | n.a.     | 17.1           | 3.5       | 16.8           | 2.0   | 5.0                    | 5.8   | 4.0   | 3.8   | 3.6   |  |
| National Income Sector                                       |                 |          |                |           |                |       |                        |       |       |       |       |  |
| Surplus/deficit                                              | -12.1 <u>7/</u> | -3.0     | -2.0           | -15.9     | -1.5           | -5.0  | 0.1 <u>p/</u>          | 0.0   | -1.0  | -2.9  | -4.2  |  |
| Receipts                                                     | 242.9 <u>7/</u> | 273.3    | 275.7          | 228.7     | 264.2          | 253.6 | 262.5 <u>p/</u>        | 267.3 | 273.5 | 279.4 | 282.5 |  |
| Expenditures                                                 | 255.0           | 276.3    | 277.7          | 244.6     | 265.7          | 258.6 | 262.4                  | 267.3 | 274.5 | 282.3 | 286.7 |  |
| High Employment surplus/deficit (NIA basis) <u>8/</u>        | n.a.            | n.a.     | n.a.           | 0.4       | -1.8           | -0.9  | 0.1                    | -3.2  | -3.1  | 1.6   | 6.5   |  |
| *Actual e--projected n.e.--not estimated n.a.--not available |                 |          |                |           |                |       |                        |       |       |       |       |  |
| p.--preliminary                                              |                 |          |                |           |                |       |                        |       |       |       |       |  |

Footnotes continued

- 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.
- 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 \$2.8 billion for fiscal 1973 due to spreading of wage base and refund effect over calendar year.
- 8/ Estimated by F.R. Board Staff.

CONFIDENTIAL (FR)

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

September 14, 1973

By the Staff  
Board of Governors  
of the Federal Reserve System

Federal finance. Legislation passed by the Senate and introduced in the House would provide for an immediate 5.9 percent increase in Social Security benefits. If enacted by November 1, an estimated \$2.0 billion would be added to Federal outlays in fiscal year 1974 (an annual rate of \$3.4 billion). Actual payment of any increase, however, would not occur until the spring of 1974 because of the demands currently being made on the Social Security Administration in its efforts to assume, by January 1, 1974, full responsibility for providing assistance to the aged, blind, and disabled, programs previously administered by the States.

CORRECTIONS:

Page I-9: Percent per year change in personal consumption expenditures for nondurable goods projected for 1974 is 11.6 percent.

Page I-10: Line 9, the correct figure is 610,000 units, rather than 800,000.