

CONFIDENTIAL (FR)

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

December 12, 1973

complementary products such as tires and accessories), and a variety of travel-related activities such as motel services, restaurant meals, recreation, suburban housing, and purchases of aircraft by commercial airlines. As the year goes on, consumers and businesses are expected to adapt to the reduced supply of petroleum in ways that encourage a resumption of growth in overall real economic activity.

STAFF GNP PROJECTIONS

	Per cent change annual rate <u>1/</u>							
	Changes in nominal GNP \$ billion		Real GNP		Gross private product fixed weighted price index		Unemployment rate	
	11/14/73	12/12/73	11/14/73	12/12/73	11/14/73	12/12/73	11/14/73	12/12/73
1- ^{1/}	78.3	78.3	3.2	3.2	4.6	4.6	5.9	5.9
2- ^{1/}	99.7	99.7	6.1	6.1	3.2	3.2	5.6	5.6
3	133.3	133.0	6.1	5.9	5.8	6.9	4.8	4.9
4	115.2	96.6	2.9	.8	5.9	6.7	4.9	5.6
3-I- ^{1/}	43.3	43.3	8.7	8.7	7.0	7.0	5.0	5.0
II	29.5	29.5	2.4	2.4	7.9	7.9	4.9	4.9
III	32.0 ^{2/}	32.5 ^{1/}	3.6 ^{2/}	3.4 ^{1/}	7.1 ^{2/}	7.6 ^{1/}	4.8	4.8
IV	31.6	29.0	3.8	2.0	5.8	6.8	4.6	4.7
4-I	29.7	20.5	3.0	-.8	6.2	7.1	4.7	5.1
II	26.3	16.5	2.5	-1.2	5.4	6.2	4.8	5.5
III	24.1	22.5	2.0	1.2	5.0	5.5	5.0	5.8
IV	26.3	28.5	2.0	2.3	5.0	5.5	5.2	6.0
nge: IV to								
-IV	136.4	134.3	4.6	4.1	6.9	7.3	-.7	-.6
IV to								
-IV	106.4	88.0	2.4	.4	5.4	6.1	.6	1.3

Actual.

Commerce preliminary.

	1972	1973 Proj.	1972		1973				Proj.
			III	IV	I	II	III	IV	
Gross National Product	1155.2	1288.1	1166.5	1199.2	1242.5	1272.0	1304.5	1333.5	
Final purchases	1149.1	1281.3	1157.8	1191.0	1237.8	1267.5	1299.8	1320.2	
Private	894.1	1004.0	903.1	930.3	969.2	992.2	1020.8	1034.0 ^{2/}	
Excluding net exports	898.7	999.2	906.9	933.8	969.2	989.4	1013.2	1025.1 ^{2/}	
Personal consumption expenditures	726.5	805.0	734.1	752.6	779.4	795.6	816.0	829.0	
Durable goods	117.4	131.3	120.2	122.9	132.2	132.8	132.8	127.5	
Nondurable goods	299.9	336.5	302.3	310.7	322.2	330.3	341.6	352.0	
Services	309.2	337.2	311.6	319.0	325.0	332.6	341.6	349.5	
Gross private domestic investment	178.3	201.0	181.5	189.4	194.5	198.2	202.0	209.4	
Residential construction	54.0	58.0	54.5	56.9	59.0	59.6	59.2	54.1	
Business fixed investment	118.2	136.2	118.3	124.3	130.9	134.1	138.0	142.0	
Change in business inventories	6.0	6.8	8.7	8.2	4.6	4.5	4.7	13.3	
Nonfarm	5.6	6.0	8.4	7.9	4.4	4.4	3.2	11.8	
Net exports of goods and services ^{1/}	-4.6	4.8	-3.8	-3.5	0.0	2.8	7.6	8.9 ^{2/}	
Exports	73.5	100.5	74.0	79.7	89.7	97.2	104.5	110.4 ^{2/}	
Imports	78.1	95.7	77.7	83.2	89.7	94.4	97.0	101.5	
Gov't. purchases of goods and services	255.0	277.3	254.7	260.7	268.6	275.3	279.0	286.2 ^{2/}	
Federal	104.4	107.3	102.3	102.7	105.5	107.3	106.8	109.4 ^{2/}	
Defense	74.4	74.6	71.9	72.4	74.3	74.2	74.2	75.6 ^{2/}	
Other	30.1	32.7	30.4	30.3	31.2	33.1	32.7	33.8	
State & local	150.5	170.0	152.4	158.0	163.0	168.0	172.2	176.8	
Gross national product in constant (1958) dollars	790.7	837.6	796.7	812.3	829.3	834.3	841.3	845.5	
GNP implicit deflator (1958 = 100)	146.1	153.8	146.4	147.6	149.8	152.5	155.1	157.7	
Personal income	939.2	1034.2	943.7	976.1	996.6	1019.0	1047.1	1074.0	
Wage and salary disbursements	627.8	691.3	632.7	648.7	666.7	682.6	699.3	716.5	
Disposable income	797.0	881.5	800.9	828.7	851.5	869.7	891.1	913.5	
Personal saving	49.7	53.0	45.8	54.4	50.0	51.0	51.1	59.7	
Saving rate (per cent)	6.2	6.0	5.7	6.6	5.9	5.9	5.7	6.5	
Corporate profits before tax	98.0	126.9	98.4	106.1	119.6	128.9	129.4	129.5	
Corp. cash flow, net of div. (domestic)	105.0	109.2	91.9	97.7	104.9	110.3	110.9	110.9	
Federal government receipts and expenditures, (N.I.A. basis)									
Receipts	228.7	265.1	229.6	236.9	253.6	262.4	269.8	274.5	
Expenditures	244.6	264.6	237.0	260.3	258.6	262.4	265.6	271.8	
Surplus or deficit (-)	-15.9	0.5	-7.4	-23.4	-5.0	0.0	4.3	2.7	
High employment surplus or deficit (-)	0.4	-0.7	7.3	-10.9	-1.0	-0.1	-1.5	-0.3	
State and local government surplus or deficit (-), (N.I.A. basis)	13.1	10.9	9.5	19.6	13.9	11.5	10.4	7.8	
Total labor force (millions)	89.0	91.1	89.3	89.6	90.0	90.9	91.3	92.2	
Armed forces "	2.5	2.3	2.4	2.4	2.4	2.3	2.3	2.3	
Civilian labor force "	86.5	88.8	86.9	87.2	87.6	88.6	89.0	89.9	
Unemployment rate (per cent)	5.6	4.9	5.6	5.3	5.0	4.9	4.8	4.7	
Nonfarm payroll employment (millions)	72.8	75.5	73.0	73.8	74.6	75.3	75.7	76.4	
Manufacturing	18.9	19.8	19.0	19.3	19.6	19.8	19.8	20.0	
Industrial production (1967 = 100)	115.1	125.4	116.3	120.2	123.1	124.8	126.7	127.1	
Capacity utilization, mfg. (per cent)	78								

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	1384.8	1354.0	1370.5	1393.0	1421.5
Final purchases	1375.0	1339.5	1359.5	1384.2	1416.8
Private	1071.4	1046.8	1060.4	1077.6	1100.6
Excluding net exports	1060.2	1035.7	1049.1	1066.8	1089.2
Personal consumption expenditures	862.5	840.3	853.8	869.5	886.5
Durable goods	123.2	123.5	121.5	122.7	125.2
Nondurable goods	373.2	360.8	369.8	377.3	384.8
Services	366.1	356.0	362.5	369.5	376.5
Gross private domestic investment	207.4	209.9	206.3	206.1	207.4
Residential construction	48.8	49.9	47.3	47.3	50.7
Business fixed investment	148.9	145.5	148.0	150.0	152.0
Change in business inventories	9.8	14.5	11.0	8.8	4.7
Nonfarm	9.7	15.0	11.5	8.3	4.0
Net exports of goods and services ^{1/}	11.2	11.1	11.3	10.8	11.4
Exports	117.5	112.9	116.3	119.3	121.6
Imports	106.4	101.8	105.0	108.5	110.2
Gov't. purchases of goods and services	303.7	292.7	299.1	306.6	316.2
Federal	114.5	111.3	112.7	115.0	119.1
Defense	77.7	75.9	76.5	77.7	80.5
Other	36.9	35.4	36.2	37.3	38.6
State & local	189.1	181.4	186.4	191.6	197.1
Gross national product in constant (1958) dollars	844.4	843.8	841.4	843.8	848.5
GNP implicit deflator (1958 = 100)	164.0	160.5	162.9	165.1	167.5
Personal income	1127.0	1095.8	1114.0	1137.6	1160.8
Wage and salary disbursement	749.0	729.0	739.8	755.1	772.3
Disposable income	958.7	932.3	947.8	967.7	987.0
Personal saving	69.5	66.6	67.8	71.2	72.5
Saving rate (per cent)	7.3	7.1	7.2	7.4	7.4
Corporate profits before tax	120.2	124.5	120.5	117.0	119.0
Corp. cash flow, net of div. (domestic)	109.3	109.8	108.5	107.8	111.2
Federal government receipts and expenditures, (N.I.A. basis)					
Receipts	283.9	279.8	281.6	284.4	289.7
Expenditures	295.7	285.3	291.6	299.3	306.7
Surplus or deficit (-)	-11.8	-5.5	-10.0	-14.9	-17.0
High employment surplus or deficit (-)	5.1	0.4	4.3	6.8	8.9
State and local government surplus or deficit (-), (N.I.A. basis)	5.5	8.2	6.6	4.6	2.7
Total labor force (millions)	93.1	92.6	93.0	93.3	93.6
Armed forces "	2.3	2.3	2.3	2.3	2.3
Civilian labor force "	90.8	90.3	90.7	91.0	91.3
Unemployment rate (per cent)	5.6	5.1	5.5	5.8	6.0
Nonfarm payroll employment (millions)	76.5	76.4	76.4	76.4	76.6
Manufacturing	19.6	19.7	19.6	19.5	19.5
Industrial production (1967 = 100)	125.5	126.7	125.0	125.0	125.5
Capacity utilization, mfg. (per cent)	79.3	81.4	79.3	78.4	78.1
Major materials	93.3	94.7	93.1	92.8	92.5
Housing starts, private (millions, A.R.)	1.64	1.62	1.55	1.65	1.75
Sales new autos (millions, A.R.)	8.50	9.00	8.00	8.30	8.70
Domestic models	6.50	7.00	6.00	6.30	6.70
Foreign models	2.00	2.00	2.00	2.00	2.00
^{1/} Net exports of goods and services (balance of payments).	10.7	10.7	10.9	10.4	11.0
Exports	117.9	113.3	116.7	119.7	122.0
Imports	107.2	102.6	105.8	109.3	111.0

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1972	1973 Proj.	1972		1973			Proj. IV
			III	IV	I	II	III	
	-----Billions of Dollars-----							
Gross National Product	99.7	132.9	24.1	32.7	43.3	29.5	32.5	29.0
Inventory change	-0.1	0.8	3.2	-0.5	-3.6	-0.1	0.2	8.6
Final purchases	99.7	132.2	20.9	33.2	46.8	29.7	32.3	20.4
Private	79.0	109.9	20.4	27.2	38.9	23.0	28.6	13.2
Net exports	-5.4	9.4	1.9	0.3	3.5	2.8	4.8	1.3
Excluding net exports	84.4	100.5	18.5	26.9	35.4	20.2	23.8	11.9
Personal consumption expenditures	59.3	78.5	14.9	18.5	26.8	16.2	20.4	13.0
Durable goods	13.8	13.9	5.1	2.7	9.3	0.6	0.0	-5.3
Nondurable goods	21.2	36.6	4.4	8.4	11.5	8.1	11.3	10.4
Services	24.3	28.0	5.4	7.4	6.0	7.6	9.0	7.9
Residential structures	11.3	4.0	1.7	2.4	2.1	0.6	-0.4	-5.1
Nonresidential fixed investment	13.8	18.0	2.0	6.0	6.6	3.2	3.9	4.0
Government	20.7	22.3	0.5	6.0	7.9	6.7	3.7	7.2
Federal	6.3	2.9	-4.4	0.4	2.8	1.8	-0.5	2.6
State and local	14.3	19.5	4.9	5.6	5.0	5.0	4.2	4.6
GNP in constant (1958) dollars	45.3	46.9	11.1	15.6	17.0	5.0	7.0	4.2
Final purchases	46.0	46.6	8.7	16.0	20.0	5.0	7.3	-2.7
Private	41.4	44.6	10.9	14.3	19.1	4.2	7.5	-3.4
	-----Per Cent Per Year ^{1/} -----							
Gross National Product	9.4	11.5	8.7	11.7	15.2	9.9	10.6	9.2
Final purchases	9.5	11.5	7.6	12.0	16.7	9.9	10.6	6.4
Private	9.7	12.3	9.6	12.6	17.8	9.8	12.0	5.3
Personal consumption expenditures	8.9	10.8	8.5	10.5	15.0	8.6	10.7	6.5
Durable goods	13.3	11.8	18.9	9.3	33.9	1.8	0.0	-15.0
Nondurable goods	7.6	12.2	6.0	11.6	15.6	10.4	14.4	12.7
Services	8.5	9.1	7.2	9.8	7.7	9.7	11.3	9.6
Gross private domestic investment	16.4	12.7	16.5	18.6	11.2	7.8	7.9	15.5
Residential structures	26.5	7.4	13.5	18.8	15.6	4.1	-2.7	-30.3
Business fixed investment	13.2	15.2	7.1	21.9	23.0	10.1	12.2	12.1
Gov't. purchases of goods & services	8.8	8.7	0.8	9.8	12.7	10.4	5.5	10.7
Federal	6.4	2.8	-15.5	1.6	11.4	7.0	-1.9	10.1
Defense	3.9	0.3	-22.4	2.8	10.9	-0.5	0.0	7.8
Other	13.6	8.6	4.0	-1.3	12.4	26.7	-4.7	14.1
State and local	10.5	13.0	14.0	15.5	13.3	12.8	10.4	11.1
GNP in constant (1958) dollars	6.1	5.9	5.8	8.1	8.7	2.4	3.4	2.0
Final purchases	6.2	5.9	4.5	8.4	10.3	2.4	3.6	-1.3
Private	6.9	6.9	7.0	9.1	12.0	2.5	4.4	-1.9
GNP implicit deflator	3.2	5.3	2.8	3.3	6.1	7.4	7.0	7.0 ^{2/}
Private GNP fixed weighted index ^{3/}	3.2	6.9	3.1	4.1	7.0	7.9	7.6	6.8
Personal income	8.8	10.1	7.8	14.5	8.7	9.3	11.5	10.7
Wage and salary disbursements	9.5	10.1	7.7	10.5	11.6	9.9	10.2	10.2
Disposable income	6.8	10.6	8.1	14.6	11.5	8.8	10.2	10.4
Corporate profits before tax	15.2	29.5	16.1	35.2	61.5	34.9	1.6	0.3
Federal government receipts and expenditures (N.I.A. basis)								
Receipts	15.0	15.9	7.7	13.3	31.3	14.6	11.8	7.2
Expenditures	10.7	8.2	-11.6	45.5	-2.6	6.0	5.0	9.7
Nonfarm payroll employment	3.0	3.7	2.8	4.5	4.5	3.7	2.2	3.6
Manufacturing	2.2	4.8	2.6	7.1	5.4	4.7	1.2	3.1
Industrial production	7.9	8.9	9.2	13.8	10.1	5.8	6.0	1.5
Housing starts, private	14.1	-12.6	16.0	6.6	0.2	-27.1	-32.3	-51.7
Sales new autos	6.8	5.1	49.7	5.9	19.8	-15.4	0.2	-40.7
Domestic models	7.4	4.2	53.1	-0.5	16.0	-14.9	10.1	-47.6
Foreign models	3.3	11.2	30.9	52.0	42.3	-18.1	-41.7	19.5

^{1/} Percentage rates of change are annual rates compounded quarterly.^{2/} Excluding Federal pay increase, 6.5 per cent per year.^{3/} Using expenditures in 1967 as weights.

CHANGES IN GROSS NATIONAL PRODUCT
AND RELATED ITEMS

	1974 Proj.	1974			
		Projection			
		I	II	III	IV
-----Billions of Dollars-----					
Gross National Product	96.7	20.5	16.5	22.5	28.5
Inventory change	3.0	1.2	-3.5	-2.2	-4.1
Final purchases	93.7	19.3	20.0	24.7	32.6
Private	67.4	12.8	13.6	17.2	23.0
Net exports	6.4	2.2	0.2	-0.5	0.6
Excluding net exports	61.0	10.6	13.4	17.7	22.4
Personal consumption expenditures	57.5	11.3	13.5	15.7	17.0
Durable goods	-8.1	-4.0	-2.0	1.2	2.5
Nondurable goods	36.7	8.8	9.0	7.5	7.5
Services	28.9	6.5	6.5	7.0	7.0
Residential structures	-9.2	-4.2	-2.6	0.0	3.4
Nonresidential fixed investment	12.7	3.5	2.5	2.0	2.0
Government	26.4	6.5	6.4	7.5	9.6
Federal	7.2	1.9	1.4	2.3	4.1
State and local	19.1	4.6	5.0	5.2	5.5
GNP in constant (1958) dollars	6.8	-1.7	-2.4	2.4	4.7
Final purchases	4.5	-2.2	0.2	3.8	7.2
Private	0.9	-3.2	-0.9	2.2	5.4
-----Per Cent Per Year ^{1/} -----					
Gross National Product	7.5	6.3	5.0	6.7	8.4
Final purchases	7.3	6.0	6.1	7.5	9.8
Private	6.7	5.0	5.3	6.6	8.8
Personal consumption expenditures	7.1	5.6	6.6	7.6	8.1
Durable goods	-6.2	-12.0	-6.3	4.0	8.4
Nondurable goods	10.9	10.4	10.4	8.4	8.2
Services	8.6	7.6	7.5	8.0	7.8
Gross private domestic investment	3.2	1.0	-6.7	-0.4	2.5
Residential structures	-15.9	-27.6	-19.3	0.0	32.0
Nonresidential fixed investment	9.3	10.2	7.1	5.5	5.4
Gov't. purchases of goods & services	9.5	9.4	9.0	10.4	13.1
Federal	6.7	7.1	5.1	8.4	15.0
Defense	4.2	1.6	3.2	6.4	15.2
Other	12.8	20.3	9.4	12.7	14.7
State and local	11.2	10.8	11.5	11.6	12.0
GNP in constant (1958) dollars	0.8	-0.8	-1.2	1.2	2.3
Final purchases	0.5	-1.1	0.1	1.8	3.5
Private	0.1	-1.8 ^{2/}	-0.5	1.3	3.2 ^{3/}
GNP implicit deflator	6.6	7.1 ^{2/}	6.2	5.0	6.0 ^{3/}
Private GNP fixed weighted index ^{4/}	6.7	7.1	6.2	5.5	5.5
Personal income	9.0	8.4	6.8	8.7	8.4
Wage and salary disbursements	8.3	7.2	6.1	8.5	9.4
Disposable income	8.8	8.5	6.8	6.0	10.9
Corporate profits before tax	-5.3	-14.6	-12.2	-11.1	7.0
Federal government receipts and expenditures (N.I.A. basis)					
Receipts	7.1	7.9	2.6	4.0	7.7
Expenditures	11.8	21.4	9.1	11.0	10.3
Nonfarm payroll employment	1.3	0.0	0.0	0.0	1.1
Manufacturing	-1.0	-5.9	-2.0	-2.0	0.0
Industrial production	0.1	-1.3	-5.5	0.1	1.8
Housing starts, private	-21.2	-13.5	-16.2	28.4	26.5
Sales new autos	-26.1	-41.7	-37.6	15.9	20.7
Domestic models	-33.1	-56.1	-46.0	21.6	27.9
Foreign models	11.7	91.6	0.0	0.0	0.0

^{1/} Percentage rates of change are annual rates compounded quarterly.^{2/} Excluding Federal pay increase, 7.0 per cent annual rate.^{3/} Excluding Federal pay increase, 5.5 per cent annual rate.^{4/} Using expenditures in 1967 as weights.

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

	1973				1974
	1st 3 Qrs.	QIV ^{f/}	Nov. ^{e/}	Dec. ^{f/}	Jan. ^{f/}
Corporate securities - Total	2,570	3,667	3,900	3,700	3,300
Public bonds	958	1,700	1,800	1,600	2,000
Privately placed bonds	723	967	900	1,200	800
Stock	900	1,000	1,200	900	500
State and local government securities	1,890	2,200	2,200	1,600	2,000

^{e/} Estimated.

^{f/} Forecast.

The volume of municipal bond financing in November and the volume forecast for January are above the monthly average for the first three quarters, with December being low for seasonal reasons. An increasing proportion of recent municipal financing continues to be made up of special revenue issues and industrial pollution control bonds. These issues, many of longer-term and higher yield, have reportedly been especially attractive to fire and casualty insurance companies which have been a major support to the municipal market this year.

Mortgage market. Mortgage market conditions apparently have eased somewhat further in November and early December. Savings and loan associations increased slightly their new mortgage commitments in October--the first monthly increase since January--and tentative

Federal finance. The staff has made the following revisions in its estimates of Federal receipts and expenditures (NIA basis) for calendar year 1974. These changes mostly reflect the projected economic impact of the energy shortage and program adjustments expected to result from Congressional action.

REVISED ESTIMATES OF FEDERAL SECTOR
IN NATIONAL INCOME ACCOUNTS
FOR CALENDAR YEAR 1974
(Billions of current dollars)

	November 14 Greenbook	Change	Current estimate
Receipts, total	\$288.3	-\$3.8 ^{1/}	\$284.5
Revisions:			
Corporate	- 3.4	- 3.4	
Personal		- .6	
Social insurance		1.1	
Indirect business taxes		- .9	
Expenditures, total	292.6	3.2	295.8
Revisions:			
Social security		1.4	
unemployment insurance		1.6	
Energy research		.4	
Other		- .2	
Surplus/deficit	- 4.3	- 7.0	-11.3
<u>High employment surplus/deficit</u>	<u>5.9</u>	<u>- .8</u>	<u>5.1</u>

^{1/} Individual entries may not add to total because of rounding.

The reductions in estimated receipts are due primarily to lower income projections. No allowance has been made to reflect the possibility of tax increases on petroleum products. We are assuming a larger social security tax base because it now appears that Congress will approve an increase from \$10,800 to \$13,200 beginning in January.

PROJECTION OF TREASURY CASH OUTLOOK
(In billions of dollars)

	Nov.	Dec.	Jan.	Feb.
<u>Total net borrowing</u>	2.4	3.0	0.2	0.4
Weekly and monthly bills	1.2	--	--	--
Tax bills	5.0	--	--	--
Coupon issues, net	0.2	--	--	--
As yet unspecified new borrowing	--	--	--	--
Special foreign series	-1.7	--	--	--
Agency transactions, debt repayment, etc.	-2.3 ^{a/}	3.0 ^{a/}	0.2	0.4
Plus: <u>Other net financial sources</u> ^{b/}	-0.7	1.2	1.2	-1.1
Plus: <u>Budget surplus or deficit</u> (-)	-2.7	0.2	-0.9	-2.5
Equals: <u>Change in cash balance</u>	-1.0 ^{c/}	4.4	0.5	-3.2
Memoranda: Level of cash balance, end of period	4.7 ^{c/}	9.1	9.6	6.4
Derivation of budget surplus or deficit:				
Budget receipts	19.4	21.7	22.3	20.3
Budget outlays	22.1	21.5	23.2	22.8
Maturing coupon issues held by public	3.5 ^{d/}	--	--	4.5
Sales of financial assets	0.2	0.7	0.2	0.6
Budget agency borrowing	0.3	*	0.2	0.4
Net borrowing by government-sponsored agencies	*	0.5	0.6	0.4

^{a/} Reflects purchase and resale of Tax Bills by Exchange Stabilization Fund.

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

^{c/} Actual.

^{d/} In the November refinancing, \$3.8 billion of notes and bonds were sold to provide funds for refunding the \$3.6 billion of publicly-held bonds maturing on November 15.

* Less than \$50 million.

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

	Fiscal Year 1973 *	Fiscal 1974 e/ Adm. Est. F.R. 11-15-73 Board	Calendar Years F.R. Estimates 1973	Calendar Years F.R. Estimates 1974	F.R.B. Staff Estimates Calendar Quarters						
					1973			1974			
					III*	IV	I	II	III	IV	
					Unadjusted data						
<u>Federal Budget</u>											
Surplus/deficit	-14.3	0.0	-5.7	-11.0	-10.3	-1.1	-8.0	-6.9	10.1	-4.4	-9.1
Receipts	232.2	270.0	266.3	249.2	280.4	64.4	58.7	62.4	80.7	71.7	65.6
Outlays	246.5	270.0	272.0	260.3	290.7	65.5	66.7	69.3	70.6	76.1	74.7
Means of financing:											
Net borrowing from the public	19.3	n.a.	0.9	8.0	6.1	-0.7	6.8	3.6	-8.8	4.7	6.6
Decrease in cash operating balance	-2.5	n.a.	3.4	2.0	2.1	4.3	-0.8	1.2	-1.3	0.7	1.5
Other <u>1/</u>	-2.5	n.a.	1.5	1.0	2.1	-2.5	2.0	2.1	--	-1.0	1.0
Cash operating balance, end of period	12.6	n.a.	9.2	9.1	7.0	8.3	9.1	7.9	9.2	8.5	7.0
Memo ^{2/} : Sales of financial assets <u>3/</u>	4.8	n.a.	3.2	3.7	n.a.	-0.2	1.1	0.9	1.3	n.a.	n.a.
Budget agency borrowing <u>4/</u>	0.4	n.a.	1.6	0.1	n.a.	0.4	0.3	0.6	0.4	n.a.	n.a.
Sponsored agency borrowing <u>5/</u>	8.7	n.a.	13.3	16.3	n.a.	6.1	3.1	1.7	2.4	n.a.	n.a.
<u>National Income Sector</u>											
Seasonally adjusted, annual rates											
Surplus/deficit	-12.1	n.a.	-2.1 ^{6/}	0.5	-11.9	4.3	2.7	-5.5	-10.0	-14.9	-17.0
Receipts	242.9	n.a.	276.4	265.1	283.9	269.8	274.5	279.8	281.6	284.4	289.7
Expenditures	255.0	n.a.	278.6	264.6	295.7	265.6	271.8	285.3	291.6	299.3	306.7
High Employment surplus/deficit (NIA basis) <u>7/</u>	-1.2	n.a.	0.7	-0.7	5.1	-1.5	-0.3	0.4	4.3	6.8	8.9
* Actual e--projected n.e.--not estimated n.a.--not available											

Footnotes continued

- 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/ Calculated by averaging appropriate quarters. Official fiscal year estimates are adjusted for spreading of wage base and refund effect over calendar year.
- 7/ Estimated by F.R. Board Staff.

TABLE 2
EFFECTS OF OIL CUTBACK ON INDUSTRIAL PRODUCTION
(Percentage change from preceding period)

	1973		1974 - 1st half ^{a/}		
	1st half	2nd half ^{a/}	Without cutback	With cutback	Effect of cutback
Belgium	2.7	1.8	2.0	1/2	-1-1/2
France	5.4	3.3	2.4	1/2	-2
Germany	6.1	1.4	3.1	0	-3
Italy	0	7.5	5.3	3	-2-1/2
Netherlands	3.6	1.4	3.2	0	-3
United Kingdom	5.8	1.4	2.5	-1/2	-2
Sub-total ^{b/}	5.9	2.6	3.1	1/2	-2-1/2
Japan	10.9	4.8	5.4	-2	-7-1/2
Canada	6.1	1.5	3.4	2-1/2	-1
Total ^{b/}	7.1	3.1	3.6	0	-3-1/2

^{a/} Forecasts made by F. R. staff, on a seasonally adjusted basis. Seasonal adjustment factors are notoriously bad for the 3rd quarter and tend to lower the second half of the year relative to the first half. Although production will also be affected in November-December 1973, no estimate is made here of that effect.

^{b/} Weighted by the volume of industrial production in 1970.